RECLAIMING LIBERTY, TRANSPARENCY & FAIRNESS FOR POULTRY FARMERS

FARM FAIRNESS ACT

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Executive Summary

Poultry production in the United States has evolved from an industry composed largely of independent, family farms to one dominated by a contract system—a system wherein farmers, across the nation, operate flock-to-flock, at the whim of consolidated corporate power. Just a handful of corporations own the majority of American poultry. Those corporations contract with individual growers to raise thousands of chickens in environments that are detrimental to the animal, to the environment, and to the growers themselves. Contract growers face precarious health, production, and financial conditions, most recently exacerbated by the COVID-19 pandemic. The public health crisis has left farmers with thousands of poultry that cannot be processed, and compromised already precarious financial stability for too many farmers. The production contracts binding these growers limit their independence.

For years, various states and the USDA attempted to introduce legislation to create fairer conditions for poultry growers, with limited success. In 2010, the USDA released the GIPSA rule (so named for the Grain Inspection, Packers and Stockyards Administration) in an attempt to improve federal protections for farmers, as well as antitrust regulation under the 1921 Packers and Stockyards Act. While the GIPSA rule contained some provisions that would have improved fairness in poultry and livestock contracts, it stalled in the face of Congressional controversy. Though it was politically uncontroversial that the industry was plagued by unfair practices, critics viewed the GIPSA rule as an example of federal overreach.
While federal attempts to improve contract fairness for farmers have fallen by the way-side, the failure of the 2010 GIPSA rule has highlighted an opportunity for state-level innovations. We identify four key areas of potential state legislative reform to restore liberty, transparency, and fairness to contract poultry farming:

- **Protecting farmer freedom**—for example, by guaranteeing the right of poultry growers to speak freely about their contracts and to join poultry growers’ associations, to mitigate the impact of anti-competitive industry practices on a poultry grower’s liberty.

- **Promoting transparency and competition**—for example, by mandating that integrators (agricultural corporations that contract out the work of growing chickens, but retain ownership of the animals, processing, and so on) provide growers with the data used to calculate their compensation.

- **Reducing coercion and unfairness by integrators**—for example, by instituting penalties for integrators whose representatives make false or misleading statements to growers.

- **Reforming the contracting process itself**—for example, by requiring that contracts be readable and clearly disclose risks, and by providing growers with a limited window of time to review or cancel contracts.

We propose that these reforms be introduced in Virginia due to the importance of poultry farming to the state economy and the opportunity for bipartisan legislation. The proposed legislative package has the potential to provide cross-cutting benefits to farmers, animals, and the environment.
Introduction

“It’s a rigged system. You have no control over anything. You’re blamed for everything.”

This is not how Americans would expect an average contract poultry grower to describe the life of a farmer. Yet these words, spoken by Eric Hedrick, reflect the sentiments of poultry farmers across the United States. Hedrick contracted with one of America’s large meat corporations, which often hold themselves out as providing wholesome support of family farms. In reality, a small handful of large agricultural corporations own the majority of the American poultry market. Those corporations control the poultry production process from beginning to end—the genetic makeup of the animals, what they eat, how much, when they’ll be slaughtered—and use their power to contract out the hardest and least profitable part: farming. Thousands of farmers like Hedrick sign contracts with little discretion, unfavorable terms, and uncertain pay. Because the agricultural market for poultry is so anti-competitive, they often have no other options. Hedrick took out loans to build infrastructure and chicken barns, a common requirement of poultry farmers imposed by corporations, and every year he is expected to upgrade and meet new demands, if his contract is to be renewed. The upgrades cost many thousands of dollars and he has no choice but to take out more loans. As Hedrick put it, the “income never did match up with what you needed.”

 Eventually, a bacterial disease broke out on Hedrick’s farm, resulting in the death of his entire flock, and contributing to his financial stress. Hedrick says, “I had 42,000 chickens die from gangrenous dermatitis”. He believes it was the company’s fault because they delivered the sick chickens directly to him, while they, instead, blamed him. Hedrick’s experience is not unique. Indeed, this is American poultry farming.
How Did We Get Here?

Poultry farming in the United States is dominated by a contract farming system in which a handful of powerful corporations contract with individual farmers to raise massive quantities of birds in confined animal feeding operations (CAFOs). This system has resulted in a small number of vertically integrated corporations holding the majority of the power and money in the industry. 95% of broiler chickens, chickens raised for meat, are raised but not owned by contract farmers, also known as “growers.” Instead, the chickens are legally owned by the corporations, known as “integrators.”

Contract growers pay upfront capital costs to house the birds and often take on massive debt in order to build barns and infrastructure as specified by the integrators. The average estimated debt required to build one chicken barn is $300,000, and most growers have around four barns per farm. Growers bear the vast majority of the risk in the operation, while the integrators retain ownership of the chickens and determine payment for the farmers through a “tournament system” in which the performance of each farmer is compared to other farmers. Many contracts are short-term or contain provisions that allow the integrator to cancel the contract for a variety of reasons. Farmers can easily fall into a cycle of debt, wherein they are asked, under threat of contract cancellation, to invest in additional capital improvements to their barns. As a result of this power imbalance between integrators and growers, nearly 75% of contract growers live below the poverty line.

Exploitation of farmers, cruelty towards animals, and environmental degradation are inextricably linked to exploitative industry contract practices. Farmers are under intense pressure to raise chickens to their final market weight in a short time frame. Beginning in the 1950s, broiler chickens have been genetically manipulated and bred to grow unnaturally large, and exceedingly quickly in order to generate the greatest profit. According to the National Chicken Council, a broiler flock is slaughtered at 42-49 days of age, with most birds weighing between 6-7 pounds. For comparison, in 1950 chickens were slaughtered after 70 days weighing approximately 3 pounds, and in 1970 they were slaughtered after 56 days weighing around 3.6 pounds. By 1990, chickens were slaughtered after 48 days weighing around 4.4 pounds, and in 2010 they were slaughtered after 47 days weighing 5.7 pounds. The overuse of antibiotics allows birds to grow bigger in a shorter amount of time. The animals live their entire lives in confinement, disease, and discomfort, while the farmers are forced to care for their flocks in ways dictated by the demands of the integrators.

Due to the massive number of birds farmers are expected to raise—up to 125,000 birds in a single location—farmers must deal with massive amounts of waste. Chicken waste is often mismanaged and seeps into waterways or emits harmful particles into the air. The air
and water pollution caused by waste runoff from chicken CAFOs leads to many issues in the surrounding communities. The Centers for Disease Control and Prevention states that the increased production of CAFOs has led to devastating environmental and health problems in the communities in which they exist.⁸

CAFOs are the perfect breeding ground for highly pathogenic viruses to spread quickly within a flock and from animals to humans. An overcrowded population of genetically similar birds are packed into tight living quarters without sunlight or fresh air, living in their own waste, and suffering from immunosuppression due to chronic stress. Just like humans, animals with weakened immune systems are more prone to diseases and respiratory infections.⁹ Numerous outbreaks of Avian Flu, Salmonella, and other food-borne illnesses have been traced back to industrial chicken farms.¹⁰ Chickens are also natural hosts for Campylobacter species, the most common bacterial cause of human gastroenteritis in the world.¹¹ Poultry farmers are at high risk for zoonotic disease transmission because they have direct contact with a high volume of animals. Farmers may also have compromised immune systems due to environmentally hazardous conditions inside the barns, exposure to ammonia, chronic physical and mental stress, and they may have poor access to health care or health insurance and may therefore be reluctant to seek treatment.
The Moment is Now

This is a crucial moment in history to take action for farmers. The current COVID-19 pandemic has highlighted fatal flaws in the United States agricultural system. In addition to experiencing increased risk of zoonotic disease transmission, American farmers are essential to our national food supply, yet are forced to operate at razor-thin margins, with low-pay. Before the pandemic struck, poultry growers were struggling. For example, “[o]ne study found that average-sized operators lose money two years out of every three.”12 Now, growers are suffering significant financial losses due to decline in retail and commercial demand for chicken, while over 11% of families around the country are affected by food insecurity.13 Shutdowns and personnel reductions at poultry processing facilities—whether due to illness or adherence to social distancing measures—are shrinking poultry processing capacity, resulting in a situation where growers have more chickens than processing plants can handle. Growers are being forced by integrators to “depopulate” their flocks, a term used for mass killing in which birds are either covered with water-based foam until they suffocate—which can take up to 4.5 minutes—or they are left inside barns while “ventilation shuts down” and the birds are left to die by overheating.14 Virgil Shockley, a Delmarva poultry grower, posits that growers with newer chicken houses and higher debt payments may go under if processing capacity continues to be compromised into July 2020.15

The Coronavirus Aid, Relief and Economy Security (CARES) Act was designed to help farmers financially impacted by the COVID-19 pandemic. According to the USDA, $9.5 billion of the relief package is allocated for farmers and ranchers. Funding will go directly towards “specialty crops, producers who supply local food systems and farmers’ markets, restaurants and schools, and livestock producers, i.e., cattlemen and women, and dairy farmers.”16 The aid for farmers will certainly ease some financial losses, but the lack of specifics in the bill presents unique challenges for implementation. For example, Congress has provided no explicit direction about “how funds will be divided, which farmers receive priority, or how payments will be structured or delivered.”17 It is unclear how this aid package will affect poultry growers.

Finally, the integrator-grower structure of the poultry industry creates challenges for growers seeking government assistance. For example, a March report issued by the Small Business Administration’s Office of the Inspector General, found that the comprehensive control integrators exercise over contract poultry growers, “overcame practically all of a grower’s ability to operate their business independent of integrator mandates.”18 The degree to which integrator control limits farmer’s freedom to care for the birds as they see fit may also preclude contract growers from accessing loan assistance through the Small
Business Administration’s Office of the Inspector General, found that the comprehensive control integrators exercise over contract poultry growers, “overcame practically all of a grower’s ability to operate their business independent of integrator mandates.” The degree to which integrator control limits farmer’s freedom to care for the birds as they see fit may also preclude contract growers from accessing loan assistance through the Small Business Administration. Repeatedly, poultry growers undertake extreme financial risk in exchange for little benefit.
USDA’s Failures

Anti-competitive practices have plagued animal agriculture in the United States for over a century. The Federal Trade Commission found in 1919 that meatpackers had created a monopoly that was exploiting both workers and consumers.\textsuperscript{20} In response, Congress passed antitrust legislation in the form of the Packers and Stockyards Act of 1921 to halt, and turn back, the concentration of power in the meatpacking industry. However, the industry is in fact more consolidated now than it was 100 years ago. In 1963, the four-firm concentration ratio (the measure of market share held by the industry’s top four firms) for broiler chicken meatpackers was 14%.\textsuperscript{21} By 2017, it was 51%.\textsuperscript{22} Beyond the top four firms, in 2013, the top eight firms in the country controlled 79.3% of the broiler meat packing industry.\textsuperscript{23} The concentration of market power has consequences on the competitiveness and fairness of the industry, and on the livelihoods of growers and workers.

“Given increasing industry consolidation and vertical integration, contracts... allow processors to exercise market power by restricting entry into the market of competitors by locking up the supply in an area, or through price manipulation. For example, if a processor has a large supply of a commodity under contract at a certain price, if the spot market dips below the contract price, the processor will buy on the spot market; conversely, if the spot market rises above the contract price, the processor can simply slaughter the supply it has under contract and hold out until the spot market falls to lower levels. By holding so much of the supply ‘captive,’ processors can depress the spot market price.”\textsuperscript{24}

Contract growers often have no option but to adhere to an integrator’s terms, or get out of the business altogether. Even the option to leave poultry farming behind requires that farmers first find a way to settle any debts they might have undertaken as a condition to receiving a contract, like Eric Hedrick did, building expensive facilities to meet integrator demands.

An enormous amount of advocacy has—unsuccessfully—gone into trying to find a way to make the Packers and Stockyards Act do what it was designed to. Through the 2008 Farm Bill, Congress directed the USDA to develop new, and better, regulations that would improve fairness in poultry and livestock contracts. Conversations across stakeholders and advocates resulted in a proposal, called the GIPSA rule (named after the USDA’s Grain Inspection, Packers and Stockyards Administration) in 2010, that enjoyed broad popular support from farmers, consumers, and advocates.
The rule set new criteria for what constitutes “unfair, discriminatory, and deceptive practices” and “undue or unreasonable preference or advantages” that violate the Act.

However, in the face of criticism of federal overreach from large agriculture corporations, Congress backtracked and prevented the USDA from implementing these regulatory reforms. This was achieved through the introduction of language into annual Consolidated and Further Continuing Appropriations Acts (Appropriations Act) that prohibited the finalization or implementation of the GIPSA rule. This strategy began with the FY2012 Appropriations Act and persisted until FY2015. In 2017, Secretary of Agriculture, Sonny Perdue pulled the GIPSA rule completely. Finally, in 2018, Secretary Perdue eliminated GIPSA as an agency and delegated its authority to the Agricultural Marketing Service (AMS). The AMS has proposed new regulations to replace the GIPSA rule, but if promulgated, those regulations would set current industry practices outside the reach of the Packers & Stockyards Act. With the elimination of GIPSA and the GIPSA rule, large integrators remain as fiercely focused as ever on protecting their control over the industry, to the detriment of farmers, animals, the environment, and the market.
Proposed Reform Package

While the GIPSA rule contained provisions that would have improved fairness in poultry and livestock contracts, it stalled in the face of congressional controversy. Though it was politically uncontroversial that the industry was plagued by unfair practices, critics viewed the GIPSA rule as an example of federal overreach. As federal attempts to improve contract fairness for farmers have gone by the wayside, the failure of the 2010 GIPSA rule has highlighted an opportunity for state-level innovation.

Looking at the failed GIPSA rule, promising elements of existing federal common law, and examples of state law, we identify four key areas of potential state legislative reform to restore liberty, transparency, and fairness to contract poultry farming.

- **Protecting farmer freedom**—for example, by guaranteeing the right of poultry growers to speak freely about their contracts and to join poultry growers’ associations.

- **Promoting transparency and competition**—for example, by mandating that integrators provide growers with the data used to calculate their compensation.

- **Reducing coercion and unfairness by integrators**—for example, by instituting penalties for integrators whose representatives make false or misleading statements to growers.

- **Reforming the contracting process itself**—for example, by requiring that contracts be readable and clearly disclose risks, and providing farmers with a limited window of time to review or cancel contracts.

A state-level legislative package that combines each of these aims could transform modest, fair, legislative protections into real industry reform. The full Farm Fairness Act Model Legislation can be found in Appendix A to this report, but its provisions are discussed below.

**The Implied Covenant of Good Faith & Fair Dealing**

One element of our proposal is to codify the implied covenant of good faith and fair dealing in state law to provide farmers with recourse if integrators exploit the contract relationship to the detriment of farmers. The implied covenant of good faith and fair dealing, as understood in federal common law, is meant to guard against the kind of manipulative business practices that are too often found in integrator-contract grower relationships. For example, “[t]he covenant imposes obligations on both contracting parties that include the duty not to interfere with the other party’s performance and not to act so as to destroy the reasonable expectations of the other party regarding the fruits of the contract.”
The implied covenant may also be breached through “abuse of a power to specify terms.” But these contracts are governed by state law, and states vary in their common law interpretations of the implied covenant. The majority of states do not recognize the implied covenant of good faith and fair dealing as giving rise to a cause of action in tort, which constrains its viability as a source of remedy in common law. The Uniform Commercial Code (UCC), includes a duty of good faith which many states have codified, but under the UCC provisions as adopted in state law a plaintiff is typically required to show that the defendant has acted dishonestly or outside the scope or range of accepted commercial practice. Here, the exploitative practice is standard commercial practice. Codifying the implied covenant of good faith and fair dealing would serve as an important step towards strengthening fairness protections for farm contracts.

**Existing State Laws**

We have found—and continue to find—compelling examples of statutory protections in a diverse range of states that represent reforms in each of these four areas that advance each of the substantive protections described above. This makes it clear that other states would likely have the ability to pass similar or even identical protections into law. Several of these are described below.

- Maine, Kansas, and Arkansas have guaranteed **freedom of association** for contract farmers.  

- Minnesota, Iowa, Kansas, and Arkansas have protected the freedom **to disclose contract terms** for contract farmers.  

- Minnesota and Arkansas require that **plain language** be used in agricultural contracts and that **risks be clearly disclosed**.  

- **Regulations on capital requirements** for contract farmers by integrators are established in Minnesota.  

- The right of a producer to **review a contract** and cancel it within the first few days is codified in Georgia.  

- Prohibitions on **unfair or deceptive practices** in agricultural contracts can be found in Arkansas, Maine, Kansas, South Dakota, and Ohio.  

- Joint integrator **liability for environmental damages** caused by farming is described in Kentucky's administrative regulations.
The Model Producer Protection Act

In response to a growing number of complaints about exploitative contract farming practices, in 2000, Iowa’s Attorney General, Tom Miller, put forward the “Producer Protection Act:” a piece of model state legislation seeking to provide a number of key substantive and procedural protections to contract farmers. The Act was sourced both from existing state legislation and from collaboration with a group of state attorneys general across the country. It included key language defining producer rights, including the “right to join associations,” the “right to be a whistleblower,” and the “right to disclose” and discuss contract provisions with others, as well as a prohibition on imposing additional capital requirements on farmers as a condition of contract renewal, and termination requirements that would prevent integrators from cancelling or failing to renew contracts without adequate notice.37 The Act was eventually “endorsed in principle by the Attorneys General of Colorado, Indiana, Kentucky, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, North Dakota, Oklahoma, Vermont, West Virginia, Wisconsin, and Wyoming—”38 demonstrating its widespread appeal and applicability. In addition to existing state laws, our own model law incorporates key elements from the Producer Protection Act to complete what we believe is a comprehensive package of reforms that a wide range of stakeholders will be able to agree are both necessary and practical.

Proposed State for Intervention: Virginia

Virginia was chosen as a potential state for this intervention due to the significance of its agricultural industry to the economy, existing opportunities for bipartisan legislation, and a unique policy and legislative context. These three factors create a unique opportunity for impactful farm fairness reform. Additionally, the Virginia state constitution sets out that all persons “have certain inherent rights, of which... they cannot, by any compact, deprive or...
divest their posterity; namely, the enjoyment of life and liberty, with the means of acquiring and possessing property, and pursuing and obtaining happiness and safety.” No farmer should be deprived of basic liberties simply in virtue of serving an essential role in food production. Legislation aimed at restoring fairness to poultry farming contracts would bolster Virginia’s constitutional principles.

**Significance of the Agricultural Industry**

Agriculture is Virginia’s largest private industry. According to a 2017 economic impact study conducted by the Weldon Cooper Center for Public Service at the University of Virginia, the agricultural industry generated $40 billion in economic impact and supported 123,090 jobs and occupies 28% of the total land area in Virginia. Broiler chickens are the number one agricultural commodity in Virginia as measured by cash receipts (cash income received from commodity sales). In 2018, the broiler chicken industry generated $935 million in sales, equivalent to 26% of Virginia’s commodity sales (including other livestock and crops). As of December 2019, there are 281 million heads of broiler chickens in Virginia (2018 Virginia Agricultural Statistics, USDA National Agricultural Statistics Service).

Nationally, Virginia’s broiler industry is ranked ninth in terms of sales, just ahead of Maryland. Within the state, Virginia’s 6th Congressional District generates the greatest volume of broiler sales (183 million heads) across 501 farms followed by the 7th District (24 million heads) across 92 farms.

**Opportunities for Bipartisan Legislation**

While Virginia has had a Democrat as Governor since 2014, Democrats gained control of both the House of Delegates and Senate after the 2019 state legislative elections. Virginia’s current Democratic administration may create an environment friendlier to farm fairness reforms, but the state’s history of Republican administrations means that a successful intervention could be politically significant and set an important precedent for other Democratic, Republican, or swing states.

It would also likely fill a gap that—in a more historically-progressive state—other forms of regulatory interventions might already have filled. Additionally, the Virginia Farm Bureau (VFB)—a non-profit agricultural advocacy organization that exercises a significant influence on the agricultural policy in the state—has expressed support for USDA rules and provisions relating to protection of poultry growers’ rights to transparent contracts, fair business practices, and minimum base pay.
Policy and Legislative Context

On March 13, 2020, Virginia’s Attorney General co-signed comments to the USDA opposing the USDA’s proposed 2017 rules on the Packers and Stockyards Act and calling for adoption of the previous GIPSA rules drafted in 2010 and abandoned in 2016. The comments were jointly submitted with Attorneys General from Minnesota, California, the District of Columbia, Illinois, Iowa, Nevada, and New Mexico. In their letter, the Attorneys General opposed the USDA’s new Proposed Rule on the grounds that it “would seek to further weaken the Act’s already-compromised enforcement scheme.”

Benefits of Reform

A state-level farm fairness bill has the potential to have cross cutting benefits to the environment, farmers, and animals. By pushing for more equitable contracts through greater transparency, freedom of association, and fair financial compensation, we believe this proposed reform would level the playing field and shift economic and operational risks from growers to integrators. Improved contractual security can empower growers and create opportunities and pathways for growers to pursue practices that are better for the grower health, public health, the environment, and animals. The empowerment and independence of contract growers will also likely reduce barriers to independent introduction of environmental improvements, as they would no longer be under such great pressure to meet integrator demands.
Endnotes


2 Id.

3 Id.


6 Lowrey, supra note 1.


10 Id.

11 Id.


Id.


U.S. Department of Agriculture, Packers and Stockyards Division


Stokes, supra note 12 at 2-3.

Undue and Unreasonable Preferences and Advantages Under the Packers and Stockyards Act, 85 F.R. 1771 (proposed Jan. 13, 2020) (to be codified at 9 C.F.R. 201)

The proposed rule only undertakes a portion of the GIPSA rule's original scope and faces opposition across a spectrum of stakeholders in the livestock and poultry industries, from contract growers, farm lobbyists, farmers, as well as states. The wide spectrum of opposition to the new rules is anticipated to lead to significant legal challenges for the USDA and AMS

Centex Corp. v. United States, 395 F.3d 1283, 1304 (Fed. Cir. 2005)


30 ME ST § 1965; KS ST 16-1701; AR ST § 2-32-201


32 MN ST §§ 17.90–17.9443; AR ST § 2-32-201.

33 MN § 17.92.

34 GA ST § 2-22-2.

35 AR ST § 2-32-201; ME ST § 1965; KS ST § 16-1701; SD ST § 40-15A-10; OH ST § 943.05.

36 KY § 401 KAR 5:072.


39 Va. Const. art. I, § 1,


42 Id.


Appendix A
The Farm Fairness Act

Preamble
An Act to safeguard liberty, transparency, and fairness in poultry farming contracts.

§1.1: Definitions
1. The term “person” includes individuals, partnerships, corporations, and associations.
2. The term “poultry” means chickens, turkeys, ducks, geese, and other domestic fowl.
3. A poultry grower is a person involved in the raising and caring for live poultry for slaughter by another, whether the poultry is owned by such person or by another, but not an employee of the owner of such poultry as part of a poultry production contract.
4. A poultry production contract means any grow-out contract, marketing agreement, or other arrangement under which a poultry grower raises and cares for live poultry for delivery, in accord with another’s instructions, for slaughter.
5. A poultry integrator is a person, organization, or a representative thereof engaged in the business of obtaining live poultry by purchase or under a poultry growing arrangement for the purpose of either slaughtering it or selling it for slaughter by another.
6. An animal feeding operation is any lot or facility designated as such by 9VAC25-31-10.
   a. A concentrated animal feeding operation is any animal feeding operation designated as such by 9VAC25-31-10.
7. Retaliation is defined as any action to coerce, intimidate, disadvantage, retaliate against, or discriminate against any poultry grower because the grower exercises, or attempts to exercise, any grower right as defined in Section 1.5(3).

§1.2: Scope of Application
The following regulations shall apply to any action taken by a contracting party in relation to a poultry production contract entered into, renewed, or amended, between a poultry grower and a poultry integrator, on, or after, the effective date of this act.
§1.3: Protecting Freedom and Open Markets in Poultry Contracts

1. Freedom to Disclose Contract Terms. A poultry production contract within the scope of application, as defined by Section 1.2, must not contain provisions that prohibit the poultry grower from disclosing terms, conditions, prices, or any other information contained in the contract. Any provision prohibiting disclosure by the poultry grower is void and unenforceable.²

2. Freedom to Communicate. Poultry integrators and poultry production contracts within the scope of application, as defined by Section 1.2, shall not prohibit nor discourage poultry growers from communicating with other poultry growers to compare contract terms or to address concerns or problems.³

3. Freedom to Seek Advice. Poultry integrators and poultry production contracts within the scope of application, as defined by Section 1.2, shall not prohibit nor discourage poultry growers from seeking professional, legal, financial and agricultural production advice and counsel related to the production contract's terms, obligations and responsibilities.⁴

4. Freedom of Association. Producers of agricultural commodities, including poultry growers, are free to join together voluntarily in associations as authorized by law without interference by integrators.

§1.4: Requiring Transparent Treatment of Contract Poultry Farmers by Integrators

1. It shall be unlawful for any poultry integrator knowingly to engage or permit any employee or agent to engage in the following practices in connection with poultry production contracts:⁵

   a. Compensation Information. To refuse to provide to a contract poultry grower upon request the statistical information and data used to determine compensation paid to the grower under a production contract, including, but not limited to, feed conversion rates, feed analyses, origination and breeder history

   b. Observation of Weighing. To refuse to allow a contract poultry grower or the grower's designated representative to observe, by actual observation at the time of weighing, the weights and measures used to determine the grower’s compensation under a production contract.

   c. "Tournament" Compensation. To use the performance of any other contract poultry grower to lower the compensation of a poultry grower under a
production contract or as the basis of termination or cancellation of a production contract.

§1.5: Protecting Farmers From Coercion, Intimidation, and Other Unfair and Exploitative Practices in the Poultry Industry

1. Freedom from Unfair Practices. Poultry production contracts shall be negotiated, entered into, and conducted in an environment free from unfair or deceptive trade practices or other violations of law.\(^6\)

2. Prohibited Unfair Practices. Poultry integrators shall not engage nor permit an employee or agent to engage in any of the following practices, defined as unfair trade practices:\(^7\)

   a. To coerce a poultry grower in the exercise of her right to join and belong to or to refrain from joining or belonging to an association or to refuse to deal with a poultry grower because of the exercise of her right to join and belong to an association;

   b. To discriminate against a poultry grower with respect to price, quantity, quality or other terms of purchase, acquisition or other handling of agricultural products because of her membership in or contract with an association;

   c. To coerce or intimidate a poultry grower to breach, cancel or terminate a membership agreement or marketing contract with an association or a contract with an integrator;

   d. To pay or loan money, give anything of value or offer any other inducement or regard to a poultry grower for refusing or ceasing to belong to an association;

   e. To make or circulate unsubstantiated reports about the finances, management or activities of associations or handlers;

   f. To conspire, combine, agree or arrange with any other person to do or aid or abet the doing of any practice which is in violation of this Act;

   g. To refuse to bargain with an accredited association with whom the integrator has had prior dealings or with an accredited association whose growers in the bargaining units have had substantial dealing with the integrator prior to the accreditation of the association; or

   h. To negotiate with a poultry grower included in the bargaining unit after an association is accredited.
3. Grower Rights. As used in this Act, "grower right" means one of the following legal rights and protections established or reaffirmed by this Act:

   a. Right to Join Association. The right of a poultry grower to join or belong to, or to refrain from joining or belonging to, an association of growers as described in Section 1.3(4).

   b. Right to Contract. The right of a poultry grower to enter into a membership agreement or marketing contract with an association of growers, an integrator, or another grower and the right of the grower to exercise contractual rights under such a membership agreement or marketing contract.

   c. Right to be a Whistleblower. The right of a poultry grower to lawfully provide statements or information (including to the United States Secretary of Agriculture or to a law enforcement agency) regarding alleged improper actions or violations of law by an integrator. This right does not include the right to make statements or provide information if the statements or information are determined to be libelous or slanderous.

   d. Right to Disclose Contractual Terms. The right of a poultry grower to disclose the terms of agricultural contracts under Sections 1.3(1), 1.3(2), and 1.3(3).

   e. Right to Exercise Other Protections. The right of a poultry grower to enforce other protections afforded by this Act or other laws or regulations.

4. Freedom from Retaliation. It shall be unlawful for any integrator knowingly to engage or permit any employee or agent to engage in the practice of retaliation in connection with agricultural contracts:

   a. The execution, termination, extension, or renewal of an agricultural contract.

   b. The treatment of a poultry grower, which may include providing discriminatory or preferential terms in an agricultural contract or interpreting terms of an existing agricultural contract in a discriminatory or preferential manner. The terms may relate to the price paid for a commodity; the quality or the quantity of a commodity demanded or provided; or financing, including investment requirements.

   c. The grant of a reward or imposition of a penalty, including the denial of a reward. The reward or penalty may be in any form, including but not limited to, financial rewards or penalties. Financial rewards or penalties may relate to loans, bonuses, or inducements.

   d. The quality, quantity, or delivery times of contract inputs provided to the grower.
5. **Shared Responsibility.** All persons who own or operate a concentrated animal feeding operation shall sign an application for and obtain a VPDES permit from the Department of Environmental Quality. This includes a person who enters into a contract with an owner or operator of a concentrated animal feeding operation if the person:
   a. Owns the animals; or
   b. Directs the manner in which the animals will be housed or fed; or
   c. Controls the inputs or other material aspects of the concentrated animal feeding operation.
   d. All owners and operators of a concentrated animal feeding operation shall be jointly and severally liable for complying with the permit.

6. **Revocation of Permit.** The Commissioner of the Department of Agriculture and Consumer Services shall revoke or refuse to issue or renew the registration of a poultry integrator if the applicant:
   a. Has been found by the commissioner to have failed to pay without reasonable cause obligations incurred in connection with poultry transactions; or
   b. Has violated the poultry or livestock laws or rules of this state or the laws of the United States; or
   c. Has made false or misleading statements as to the health or physical condition of the animals, or engaged in the practice of fraud or misrepresentation in connection therewith or in the buying or receiving of animals or receiving, selling, exchanging, soliciting, or negotiating the sale, resale, exchange, weighing, or shipment of animals; or
   d. Whenever the commissioner finds that the integrator has violated provisions of this chapter, or has failed to comply with other laws, rules, or regulations enforced by the Department of Agriculture and Consumer Services, or the federal Packers and Stockyards Administration, and that the continued activity of a permittee may cause irreparable injury or loss to persons engaged in business with the permittee, the commissioner may, without hearing, suspend the permit of the integrator, provided that when a permit is so suspended, the commissioner shall immediately initiate procedures to afford the integrator a hearing.

7. **Shared Liability.** All owners and operators of a concentrated animal feeding operation, including integrators as defined by Section 1.1(5) of this act shall be
jointly and severally liable for environmental or nuisance damages caused by reasonable adherence to the terms of a production contract.

§1.6: Guaranteeing Fair Contract Terms for Poultry Farmers

1. Implied Promise of Good Faith & Fair Dealing. Every contract within the scope of this Act carries an implied promise of good faith and fair dealing, such that:
   a. The implied promise protects the parties' reasonable expectations under the contract.
   b. The implied promise is breached when a party:
      i. unreasonably seeks to prevent the contract's performance,
      ii. or interferes with the ability of another party to the contract to benefit from the bargain.
   c. Breach of the implied promise may occur in the absence of a breach of the express terms of the contract.
   d. The implied promise of good faith and fair dealing does not change the express terms of the contract, nor may it prohibit the parties from doing what the contract expressly allows.

2. Right to Readable Contracts. A poultry production contract must be in legible type, appropriately divided and captioned by its various sections, and written in clear and coherent language using words and grammar that are understandable by a person of average intelligence, education, and experience within the industry.12
   a. This requirement does not apply to particular words, phrases, provisions, or forms of agreement specifically required, recommended, or endorsed by a state or federal statute, rule, or regulation.
   b. An agricultural contract may include technical terms to describe the services or property which are the subject of the contract, if the terms are customarily used by poultry growers in the ordinary course of business in connection with the services or property being described.

3. Right to Clear Risk Disclosure. An agricultural contract must be accompanied by a clear written disclosure setting forth the nature of the material risks faced by the poultry grower if the grower enters into the contract. The statement must meet the plain language requirements of Section 1.6(2). The statement may be in the form of a written statement or checklist and may be developed in cooperation with growers or grower organizations. An integrator may submit a sample material risk disclosure statement to the Commissioner of the Department of Agriculture and Consumer Services for examination. If the commissioner approves of the statement or fails to
respond within 30 days of receipt of the statement, the statement will be deemed to comply with this subdivision and with the plain language requirements of Section 1.6(2).13

4. Judicial Modification. A court reviewing an agricultural contract may change the terms of the contract or limit a provision to avoid an unfair result if the court finds all of the following:14
   a. A material provision of the contract violates Section 1.6(2) or 1.6(3).
   b. The violation caused the grower to be substantially confused about any of the rights, obligations, or remedies of the contract.
   c. The violation has caused or is likely to cause financial detriment to the grower.

5. New Capital Investments. It shall be unlawful for any integrator knowingly to engage or permit any employee or agent to require a poultry grower to make new or additional capital investments in connection with, or to retain, continue, or renew, a production contract which are beyond the investment requirements of such production contract. It shall not be a violation of this section if such new or additional capital investments are partially paid for by the integrator, or offset by other compensation or modifications to contract terms, in a manner the poultry grower agrees to in writing as constituting acceptable and satisfactory consideration for the new capital investment.15

6. Recouping the Costs of Capital Investments. An integrator must not terminate or cancel a contract that requires a poultry grower to make a capital investment in buildings or equipment that cost $100,000 or more and have a useful life of five or more years until:16
   a. The grower has been given written notice of the intention to terminate or cancel the contract at least 180 days before the effective date of the termination or cancellation or as provided in Section 1.6(8); and
   b. The grower has been reimbursed for damages incurred by an investment in buildings or equipment that was made for the purpose of meeting minimum requirements of the contract.

7. Termination of Contracts with Capital Investment Requirements. Except as provided in Section 1.6(8), if a grower fails to comply with the provisions of a contract that requires a capital investment subject to Section 1.6(5), an integrator may not terminate or cancel that contract until:17
a. The integrator has given written notice with all the reasons for the termination or cancellation at least 90 days before termination or cancellation or as provided in Section 1.6(8); and

b. The recipient of the notice fails to correct the reasons stated for termination or cancellation in the notice within 60 days of receipt of the notice. An effort by a poultry grower to remedy a cause of an alleged breach shall not be construed as an admission of a breach in a civil cause of action.\textsuperscript{18}

8. Waiver of Notice. The 180-day notice period under Section 1.6(6), clause (a), and the 90-day notice period and 60-day notice period under Section 1.6(7), clauses (a) and (b), are waived and the contract may be canceled or terminated immediately if the alleged grounds for termination or cancellation are:\textsuperscript{19}

a. A voluntary abandonment of the contractual relationship by the poultry grower. A complete failure of a poultry grower's performance under a production contract shall be deemed to be abandonment.

b. The conviction of a poultry grower of an offense of fraud or theft committed against the integrator.

9. Right to Notice. Except as provided in Section 1.6(8), an integrator shall not terminate, cancel, or fail to renew a production contract until the integrator has done the following:\textsuperscript{20}

a. The integrator has provided the poultry grower written notice of the intention to terminate, cancel, or not renew at least 90 days before the effective date of the termination, cancellation, or nonrenewal.

b. The poultry grower has been reimbursed for damages incurred due to the termination, cancellation, or failure to renew. Damages shall be based on the value of the remaining useful life of the structures, machinery or equipment involved.

10. Compensation for Capital Investments. If an integrator terminates, cancels, or fails to renew a production contract other than provided in this section, the integrator shall pay the poultry grower the value of the remaining useful life of the structures, machinery, or equipment involved.\textsuperscript{21}

11. Right to Void. Any poultry production contract entered into, extended, renewed, or amended on or after [date], shall be voidable by the poultry grower if:\textsuperscript{22}

a. The poultry grower has not been afforded the opportunity to have the proposed production contract reviewed outside the business premises of the integrator or its agents by an attorney or adviser of the poultry grower's choosing for at least three business days prior to execution; provided,
however, that this paragraph shall not apply to the mere extension or renewal of an existing contract with no change in material terms from the existing contract other than the period covered thereby;

12. Right to Cancel. Unless waived in writing by the poultry grower at the time of signing a production contract, the poultry grower shall have a right to cancel a production contract until 12:00 midnight of the third business day after the day on which he or she signs the contract or until chicks have been placed with the poultry grower, whichever occurs first.  

   a. Notice of cancellation under this subsection shall be given in writing to the integrator at the place of business as set forth in the production contract by certified mail or statutory overnight delivery, return receipt requested, which shall be posted before cessation of the right to cancel under subsection 1.6(12). Notice of such written cancellation need not include any particular words or phrases to be effective so long as it indicates the intention of the poultry grower not to be bound by the production contract.

13. No Waiver of Rights. Any provision of a poultry production contract which waives a grower right or an obligation of an integrator established by this Act is void and unenforceable. This section does not affect other provisions of a poultry production contract, including a related document, policy, or agreement which can be given effect without the voided provision.

§1.7: Damages, Remedies, and Severability

1. An integrator committing a violation of any of the aforementioned sections shall be subject to a civil penalty of up to [amount set by the legislature] per violation.

2. A poultry grower who suffers injuries because of an integrator's violation of this Act may bring a civil action for damages, injunctive relief, or other appropriate relief against the integrator.

   a. In such a civil action, a court may award actual damages, damages for emotional distress, punitive damages, injunctive relief, or other appropriate relief.

   b. In such a civil action against the integrator, the court shall award any grower who is the prevailing party reasonable attorney fees and other litigation expenses.

   c. In order to obtain injunctive relief, the grower is not required to post a bond, prove the absence of an adequate remedy at law, or show the existence of
special circumstances, unless the court for good cause otherwise orders. The court may order any form of prohibitory or mandatory relief that is appropriate under principles of equity, including but not limited to issuing a temporary or permanent restraining order.

3. The Attorney General's office is the agency primarily responsible for enforcing this Act. In enforcing the provisions of this Act, the Attorney General may do all of the following:27

   a. Apply to the district court for an injunction to do any of the following:
      i. Restrain an integrator from engaging in conduct or practices in violation of this Act.
      ii. Require an integrator to comply with a provision of this Act.
   b. Apply to district court for the issuance of a subpoena to obtain an agricultural contract for purposes of enforcing this chapter.
   c. Bring an action in district court to enforce penalties provided in Section 1.6(1).

4. Except as provided in Sections 1.7(4)(a) and 1.7(4)(b), any person may commence a civil action on his own behalf against any person who is alleged to have violated (if there is evidence that the alleged violation has been repeated) or to be in violation of (1) a requirement or prohibition under this chapter or (2) an order issued by the Commissioner of the Department of Agriculture and Consumer Services or the State of Virginia with respect to such a standard or limitation.

   a. No action may be commenced, however, prior to 30 days after the date on which the plaintiff gave notice of the violation to (i) the alleged violator and (ii) the State of Virginia.
   b. If the State of Virginia has commenced and is diligently prosecuting a civil action in a court of the United States or the State of Virginia to require compliance with the prohibition or requirement, but in any such action in a court of the United States any person may intervene as a matter of right.

5. If any provision in this Act or the application thereof to any person or circumstance is for any reason held to be invalid, the remainder of the chapter and the application of the provision to other persons or circumstances shall not be affected thereby.
Endnotes

1 Sourced from Iowa's 2006 Model Producer Protection Act.
2 Sourced from IA ST §§ 202.1(2), 202.3.
3 Sourced from KS ST § 16-1701 and AR ST § 2-32-201.
4 Sourced from KS ST § 16-1701 and AR ST § 2-32-201.
5 Sourced from Iowa's 2006 Model Producer Protection Act.
6 Sourced from KS ST § 16-1701 and AR ST § 2-32-201.
7 Sourced from ME ST § 1965.
8 Sourced from Iowa's 2006 Model Producer Protection Act.
9 Sourced from Iowa's 2006 Model Producer Protection Act.
10 Sourced from KY § 401 KAR 5:072.
11 Sourced from SD ST § 40-15A-10 and OH ST § 943.05,
12 Sourced from MN § 17.943 & MN § 17.93.
13 Sourced from MN § 17.943 & MN § 17.93.
14 Sourced from Iowa's 2006 Model Producer Protection Act.
15 Sourced from Iowa's 2006 Model Producer Protection Act.
16 Sourced from MN § 17.92.
17 Sourced from MN § 17.92.
18 Sourced from Iowa's 2006 Model Producer Protection Act.
19 Sourced from MN § 17.92 and Iowa's 2006 Model Producer Protection Act.
20 Sourced from Iowa's 2006 Model Producer Protection Act.
21 Sourced from Iowa's 2006 Model Producer Protection Act.
22 Sourced from GA ST § 2-22-2.
23 Sourced from GA ST § 2-22-2.
24 Sourced from Iowa's 2006 Model Producer Protection Act.
25 Sourced from Iowa's 2006 Model Producer Protection Act.
26 Sourced from KS ST § 16-1701.
27 Sourced from Iowa's 2006 Model Producer Protection Act.
This report was researched and written in spring 2020 by a team of Yale graduate and professional school students in the Climate, Animal, Food & Environmental Law & Policy Lab ("CAFE Lab"), an initiative of the Law, Ethics & Animals Program at Yale Law School.

The CAFE Lab’s mission is to develop novel strategies to compel industrial food producers to pay the currently uncounted, externalized costs of industrial agriculture for people, animals, and the environment. For more information about the Program and the CAFE Lab and to access its publications, please visit: law.yale.edu/animals.