

**R-CALF USA**

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August 23, 2022

Sent via [regulations.gov](https://www.regulations.gov)

Re: R-CALF USA's Comments regarding Docket No. AMS-FTPP-21-0044,
"Transparency in Poultry Grower Contracting and Tournaments"

Dear Sir or Madam:

The Ranchers Cattlemen Action Legal Fund, United Stockgrowers of America (R-CALF USA) appreciates this opportunity to comment on the U.S. Department of Agriculture (USDA) Agricultural Marketing Service's proposed rule *Transparency in Poultry Grower Contracting and Tournaments*, available at 87 Fed. Reg., 34,980-35,031 (June 8, 2022).

R-CALF USA is the largest trade association exclusively representing United States cattle farmers and ranchers within the multi-segmented beef supply chain. It is also the largest all-voluntary membership-based cattle trade association with nearly 5,000 voluntary dues paying members in over 40 states. Its membership includes cow-calf operators, cattle backgrounders and stockers, cattle feedlot owners, and sheep producers. Numerous main street businesses are non-voting members of R-CALF USA.

While R-CALF USA does not directly represent poultry growers or their poultry industry, it does have cattle-producing members who also are poultry growers. R-CALF USA's interests in the proposed rule's reforms are predicated on our membership's strong desire to prevent the cattle industry from ever succumbing to the highly concentrated, centralized, and horizontally/vertically integrated poultry-production model.

R-CALF USA is an active member in the Campaign for Contract Agriculture Reform (CCAR) and fully supports the recommendations and analysis contained in the comprehensive comments jointly submitted by CCAR and the Rural Advancement Foundation International USA (RAFI-USA). R-CALF USA further joins and supports the legal and technical comments submitted separately by Food & Water Watch, et al. for this proposed rule.

Relative to the proposed rule's effort to mitigate the adverse effect horizontal and vertical integration has wrought upon the poultry industry is the poultry-related discussion contained in the 2002 study by Sparks Companies, Inc., *Potential Impacts of the Proposed Ban on Packer Ownership and Feeding of Livestock*, commissioned by the National Cattlemen's Beef Association and the National Pork Producers Council.

In the 1950's, most poultry meat marketed was a by-product of egg production. As production of chickens specifically for meat began, the infant broiler industry was segmented with the major stages producing meat as separate businesses. Independent feedmills, hatcheries, farms, and processors each sold products in a separate market.

Over time, these independent businesses were combined by 'integrators', who reduced costs by coordinating the production of each stage. As a result, an industry once characterized by tens of thousands of small, specialized businesses became characterized by hundreds of vertically integrated firms. Through horizontal integration, however, that number was reduced to about 50 by the 1990's.¹

It should be obvious that the integrator-led "coordination" of production of each stage of the chicken supply chain has stripped rural areas of much needed economic opportunities, which has contributed greatly to the hollowing out of rural America.

But perhaps worse, this "coordination" has resulted in a poultry production system woefully incapable of withstanding marketplace or environmental shocks as revealed at the outset of the COVID-19 pandemic. Media reports indicate millions of chickens were euthanized because of a backed-up supply chain.² Widespread avian influenza outbreaks produced nearly identical results, with over a million chickens reportedly euthanized on a single farm.³

The concentration and centralization manifest within the current poultry production system has demonstrably jeopardized national food security. It's a production model replete with a skeletonized supply chain that is highly vulnerable to disruption and should be viewed as an abject failure in terms of providing American consumers an uninterrupted and abundant supply of safe, wholesome, and affordable food. Of course, its failure to achieve the "affordable" objective is evidenced by the numerous antitrust lawsuits filed against many of the nation's poultry integrators.

This failed chicken production model should serve as a warning to policy makers and regulators that they must not allow the cattle supply chain to suffer the same fate.

As a matter of public policy, the USDA should view this rulemaking as an opportunity to establish a foundation with which to incentivize, or at least support, a future process of unwinding the highly concentrated, centralized, and horizontally/vertically integrated chicken supply chain. The proposed rule's provisions, as amended by the aforesaid comments R-CALF USA supports, will begin the process of rebalancing the disparate market and bargaining power between integrators and growers.

This rebalancing will allow at least some competitive market forces, long suppressed by the classic command/control regime currently enjoyed by integrators, to reemerge. The reemergence of competitive market forces, albeit limited under the current structure of the industry, will nevertheless bear promise to initially create niche opportunities for investors and entrepreneurs to begin competing in one or more of the production stages of the chicken supply chain that has been heretofore captured and controlled by current integrators.

¹ Potential Impacts of the Proposed Ban on Packer Ownership and Feeding of Livestock: A Special Report, Sparks Companies, Inc., March 18, 2002, at 60, available at [SPARKS CO., INC., POTENTIAL IMPACTS OF THE PROPOSED BAN ON PACKER OWNERSHIP AND FEEDING OF LIVESTOCK: A SPECIAL REPORT \(3-2002\).](https://www.sparksco.com/wp-content/uploads/2012/03/SPARKS-CO.-INC.-POTENTIAL-IMPACTS-OF-THE-PROPOSED-BAN-ON-PACKER-OWNERSHIP-AND-FEEDING-OF-LIVESTOCK-A-SPECIAL-REPORT-3-2002-.pdf) - National Agricultural Law Center (nationalaglawcenter.org).

² See, e.g., 2M chickens euthanized as coronavirus shuts down meat processors, Megan Poiniski, Food Dive, available at <https://www.fooddive.com/news/2m-chickens-euthanized-as-coronavirus-shuts-down-meat-processors/576879/>.

³ See, e.g., More than 1 million chickens to be euthanized after avian influenza detected in Weld County, Nate Lynn, 9News, available at <https://www.9news.com/article/news/local/avian-influenza-weld-county/73-1f51dfc4-1de5-48bb-ae7d-09c917658d05>.

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The disaggregation of production within the various stages of the chicken supply chain should be a high priority as it will enhance supply chain resiliency and national food security, as well as provide new economic opportunities for entrepreneurs and aspiring poultry growers.

For the foregoing reasons, R-CALF USA urges USDA to adopt the recommendations submitted jointly by CCAR and RAFI-USA and to favorably consider the legal and technical comments by Food & Water Watch, et al., all with an eye toward promoting and incentivizing the unwinding of the failed poultry production model currently operating in the United States.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Bullard", with a stylized, cursive script.

Bill Bullard, CEO