



WALTER PELLETIER, *Chairman*
YUBERT ENVIA, *Vice Chairman*
RICK HUISINGA, *Secretary-Treasurer*
PAUL HILL, *Immediate Past Chairman*
JOEL BRANDENBERGER, *President*

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Legal Policy Section
Antitrust Division
U.S. Department of Justice
450 5th St NW, Suite 11700
Washington, DC 20001

E mail: agriculturalworkshops@usdoj.gov

Thank you for the opportunity to comment on the Department of Agriculture and Department of Justice notice on "Agriculture and Antitrust Enforcement Issues in our 21st Century Economy."

The National Turkey Federation (NTF) represents nearly 100 percent of commercial turkey production in the United States, including turkey growers, processors and allied industries. NTF is the national advocate for all segments of the U.S. turkey industry, providing services and conducting activities that increase demand for its members' products. The federation seeks to protect and enhance the ability of its members to effectively and profitably provide wholesome, high quality, nutritious turkey products. NTF is the only association representing the turkey industry exclusively in the United States.

The U.S. turkey industry is vertically integrated, which results in the production of consistently wholesome, safe and high quality products at the lowest possible cost to the consumer. Our system also enables the industry to track its products throughout the production, supply and distribution chain.

The current industry structure evolved during the past 50 years in response to customer and consumer demand for abundant, high quality and affordable foods; changes in consumer food-purchasing preferences; and the need to ensure family farmers could continue to play a vital role in the production of turkey products.

During the past half-century, the vast majority of Americans have begun to purchase their food from national or large regional supermarket and food service chains. These chains are now the primary customers for food producers, including turkey processors, and they understandably expect a product that is of consistently high quality and that meets the pricing needs of their various customer bases. The industry's customers have exacting standards for quality (often exceeding government requirements) and for cost. This system has allowed Americans of virtually all income levels access to an incredible variety of foods, including turkey products.

To meet the needs of such a diverse group of customers, turkey processors and other food producers have had to create production models that maximize uniformity of food quality. In most instances, the

vertically integrated model has worked best for processors and for the family farmers that grow turkeys. The current contractual arrangement gives the processors the control necessary to meet customer needs, and it has provided family farmers a consistent source of income and protection from the volatility of the market.

This last point is especially important. There have been several periods during the last five decades in which there has been a significant decline in turkey product sales, a significant increase in the cost of turkey production or both. Because the typical production contract ensures a base price for turkey products, regardless of market conditions, and because the processor is responsible for providing feed – the number-one input cost in turkey production – turkey growers are shielded from the most severe aspects of market volatility.

Regardless, NTF and its members recognize that conflicts do arise in contractual relationships, especially when there is misunderstanding regarding the responsibilities and rights of all parties involved in a contractual arrangement. NTF and our members support reasonable policies that ensure that all parties fully understand the nature of the contractual agreement they are entering and future risks or obligations that may arise during the term of the contractual relationship. We support policies that ensure that the normal rules of business apply to the contractual relationship.

Furthermore, NTF supported most aspects of the final rule recently published by GIPSA regarding poultry contracts, as the rule enhanced transparency and fair negotiating processes. Our members generally would oppose any rule or regulation that inserts the government into the actual negotiation process beyond normal enforcement of the current laws and regulations, nor would our members support policies that limit the ability of companies to reward the most efficient contract growers for exceptional performance. In general, a grower should have the right to negotiate a contract commensurate with his or her ability to deliver high quality consistent products to processors. Contract negotiations are business arrangements between two parties that do not require additional government regulation.

NTF members are in agreement regarding the following principles:

- Contracts should be negotiated in a fair non-discriminatory manner.
- Contracts should be executed in a manner in which all parties' rights, responsibilities, risks and means of redress are clearly and fully understood at the time the contract is signed.
- Federal law, not state law, should govern the production contracts.

Further, NTF would recommend USDA and the Department of Justice seek to clarify for all prospective participants the goals of the public workshops prior to the commencement of the hearings. We also request that the workshops address at least the following questions:

1. What are the pros and cons of poultry marketing contracts for all parties and how would any changes to contract growing affect future poultry grower contracts? How does this structure insulate poultry growers from shifts in demand of poultry products and minimize impacts from massive swings in volatile commodity markets? Would the grower be better or worse off as a result of changes in the contract process? Could extensive new regulations result in the creation of a new poultry production model?

2. The recent publication of “Poultry Contracts; Initiation, Performance, and Termination” from GIPSA (9 CFR Part 201) provided more transparency in the contract process. How does that rule fit with your planned activities for the next year?
3. What policies, currently enacted or not, can best protect a producer from market volatility by providing assured access to financing, a guaranteed buyer and predictability in business planning?
4. What studies has USDA done to assess the impact of ongoing changes and improvements in poultry and livestock market structure on various segments of the food production industry? On food costs? What does USDA data show the effects would be of eliminating alternative marketing arrangements on livestock and poultry producers? Does data show that price fluctuations in the industry mainly fall on the poultry processor producing the final product? Has USDA conducted sufficient research on these issues before considering policy revisions?
5. What is the federal government’s role in determining growing contracts between parties? Does it currently assure that fair business practices exist?
6. Is it correct to say that current market structure is the result of changing demands in the market place; specifically from the buyer demand for consistent, cost effective products available nationwide in plentiful supply?
7. Are incentive provisions in contracts legal by law and do they promote competition? Should a poultry processor have the right to offer contracts containing incentives?

With regard to the upcoming public meetings, we would like to see broad and balanced panels that include producers and processors who have a wide range of market perspectives. We would be happy to provide individual names as we move closer to the poultry industry workshop in May 2010.

Thank you for your consideration of these comments. We look forward to working with you as you move through this process.

Regards,

Joel Brandenberger
President