



Packers and Stockyards Division



Poultry Grower Payment Systems and Capital Improvement Systems

Overview

On January 9, 2025, the U.S. Department of Agriculture's (USDA) Agricultural Marketing Service (AMS) announced the finalization of the Poultry Grower Payment Systems and Capital Improvement Systems rule. The purpose of this rule is to address unfairness and deception in broiler grower payments, poultry grower ranking systems (commonly known as tournaments), and capital improvement systems.

Background

Contracts between broiler chicken growers and live poultry dealers (LPDs) commonly include a range of unfair and deceptive practices, including:

- Unnecessarily complex tournament compensation systems involving premiums and discounts from a base price. Those compensation systems can:
 - Mislead growers about their expected revenue and the potential range of payment outcomes
 - Prevent growers from being able to reasonably compare contract offers from different LPDs
 - Give LPDs unfair influence over growers' payment outcomes
- Unfairly comparing growers in a tournament to determine compensation. This may include failing to take into account the variations in inputs or production practices or providing appropriate responses to grower needs (such as for appropriate feed delivery).
- LPDs requesting or requiring growers to make costly additional capital investments without providing the purposes, processes, and outcomes related to the investments or denying growers the opportunity to reasonably recoup the investment.

Provisions of the Final Rule

- **Prohibits LPDs from reducing any rate of compensation under a broiler grower arrangement based upon a grouping, ranking, or comparison of growers (commonly called a tournament),** requiring dealers to implement a grower payment method using only positive performance adjustments (i.e., bonuses are permitted but reductions are not). The rule also establishes a presumption relating to comparison-pay as a percentage of total gross pay to prevent unfairness and establishes a three-year requirement for LPDs to submit certain documentation to AMS if the LPD makes any contract modification or renewal that results in a decrease in annual-calendar year complex-wide average gross payment to growers, to protect against unfairness in implementation.
- **Establishes a duty of fair comparison that requires LPDs to design and operate their broiler grower ranking system to provide a fair comparison among growers.** LPDs must more fairly take into consideration underlying inputs and other circumstances of a comparison system to determine how growers are compensated. LPDs will be expected to document their approaches through policies and procedures. In determining if LPDs have reasonably designed or operated its tournament system to deliver a fair comparison among growers, USDA will consider the following:
 - distribution of inputs;
 - flock production practices;
 - time periods used in a tournament;
 - factors that may render comparison impractical or inappropriate;
 - timely resolution of growers' concerns over the LPD's operation; and
 - other conditions and circumstances relevant to fair comparison.
- **Requires LPDs to provide Capital Improvement Disclosure Documents to broiler growers when the LPD requires the grower to make an additional capital investment.** These disclosures must include:
 - The purpose of the investment
 - Construction schedules
 - Housing specifications
 - Approved manufacturers or vendors
 - Financial incentives and compensation for the grower
 - An analysis of projected grower

More Information:

Read the final rule and get more information from the AMS Fair and Competitive Markets [webpage](#).