

FLAG



FARMERS' LEGAL
ACTION GROUP,
INCORPORATED

360 North Robert Street Suite 500
Saint Paul, Minnesota 55101

Phone: 651 223.5400
Fax: 651 223.5335

Internet:
lawyers@flaginc.org

Web site:
www.flaginc.org



Legal Information for Broiler Growers

Promises, Promises— How Much Money Will You Really Make?

Many growers say they have made less money from broiler growing than they expected, based on the information they received from the company when they were starting out. Some wonder if there is a legal claim based on income projections. Their first legal issue to explore is whether the company broke a promise to pay you a certain amount. The second is whether the company made false statements in order to get you to sign a contract.

What is an income projection?

An income projection is an estimate of how much money you may make, taking into account both your income and expenses. Income projections are generally more like educated guesses than they are promises to pay a certain amount. Companies that use the ranking system rarely promise to pay growers a certain amount.

Some contracts include a sample calculation. You need to read the sample calculation carefully to see if it is meant to show how much you will be paid. Often it is not meant as an income projection but is meant only to show how your pay will be calculated. An income projection might also set out your possible gross income, rather than your net income. This kind of projection is incomplete, because it does not discuss your costs.

Is an income projection part of my contract?

A company representative might give you an estimate about how much you could expect to make as a grower. You may be given a brochure produced by the company that includes income projections. In most cases, these are not part of your contract. If your contract includes a provision stating that the written contract terms are the only agreement between you and the company, then income projections are part of the contract only if they are written in the contract or made part of the contract by reference.

The company may not want to let you see the contract before it has inspected your chicken houses. However, the best time for you to assess your probable income under the contract is before you have borrowed large sums of money, mortgaged your farm and home, and built chicken houses. You may want to be able to walk away from the deal if the company will not agree to contract provisions that clearly address your concerns about income.

Why is it so hard to predict how much money I will make?

The most important step you can take to predict how signing a contract might affect you financially is to make sure that you have considered all the risks. If you are considering signing a broiler contract, you are probably giving some thought to your own work habits and ambition to get a sense of where you might end up in a ranking system. But the ranking system is just one risk that could affect your profits. Other risks that you take as a grower include: rising living and operating costs, variations in input quality, delays between flocks, chick mortality, mandatory improvements, natural disasters, equipment failures, and changes in governmental requirements for disposal of litter and dead birds. These and other income risks related to your contract must be carefully considered before you can predict how the contract will affect you financially.

Your company's income projections may not take any of these risks into account, but you should. You can ask company employees or other growers what costs growers in your area have faced in the past few years.

Can the company change the payment schedule?

In many contracts, the company reserves the right to change the payment schedule "unilaterally," that is, without having to get your agreement.

Does the Packers & Stockyards Act say anything about income projections?

Regulations under the federal Packers & Stockyards Act (P&S Act) say that poultry companies may not knowingly make or spread any false or misleading reports, records, or representations concerning the market conditions or the prices for live poultry. These regulations are focused on preventing the spread of false information about the past and the present, rather than the future. Of course, a projection about the future could be based on a false report of the past and present circumstances.

The terms of the P&S Act are so general that it can be difficult to know when it applies. Until someone brings a lawsuit asking a court to interpret this regulation under the Act, or unless USDA issues new regulations addressing poultry income projections, we will not know if the P&S Act sets any meaningful limit on income projections.

Could I make any other legal claims about misleading income projections?

You might have a legal claim, such as fraud or misrepresentation, if you could show that a company deliberately provided you with deceptive information about the income you could expect. These claims might arise if the company gave you projections based on facts or figures about the past or present that it knew were untrue at the time. As with many legal theories, it is difficult to predict whether these claims would be successful.

