



United States
Department of
Agriculture

Grain Inspection,
Packers and Stockyards
Administration

Stop 3601
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The Grain Inspection, Packers and Stockyards Administration (GIPSA) is contacting you to apprise you of developments regarding the inclusion of arbitration clauses in poultry contracts.

In December 2008, GIPSA sent letters to poultry companies outlining the Packers and Stockyards (P&S) Act requirement that poultry contracts containing a provision requiring the use of arbitration to resolve controversies also contain a provision that allows the grower, prior to entering the contracting, to decline to be bound by the arbitration clause. In that letter, I asked for sample copies of recent poultry contracts showing the changes implemented to comply with this provision of the P&S Act. GIPSA's review of the contracts received revealed that some poultry companies added language to their contracts that allowed the grower to decline the use of arbitration did so in a manner that made it difficult for growers to exercise this option. This places an undue burden on the grower to correctly acknowledge his/her choice to decline arbitration. Please assess your contracts and ensure that your growers can decline arbitration in a transparent manner and without undue burden.

To further prevent such burdens on growers, GIPSA is developing regulations to address fairness in arbitration. The proposed regulations are scheduled for publication later this year. We encourage anyone with an interest in poultry contracting to provide comments on the proposal.

GIPSA also is taking disciplinary action against companies that fail to provide the required option to decline arbitration for flock-to-flock contracts. The Farm Bill made the new requirements applicable to any contract entered into, amended, altered, modified, renewed, or extended. Growers who received new flock placements under a flock-to-flock contract on or after June 18, 2008, had their contracts extended and therefore must have the opportunity to decline arbitration if arbitration is required for dispute resolution.

If you have any questions, please contact Brett Offutt, director of the GIPSA Packers and Stockyards Program's Policy and Litigation Division, at 202-720-7363 or by email to S.Brett.Offutt@usda.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Alan R. Christian". The signature is fluid and cursive, with a long horizontal stroke at the end.

Alan R. Christian
Deputy Administrator
Packers and Stockyards Program