NATIONAL CHICKEN COUNCIL
Myth-Busting "The Meat Racket"

Myth: Vertical integration benefits the chicken companies at the expense of U.S. farm families.

Fact: The integration of the U.S. chicken industry has helped family farms thrive in an otherwise shrinking industry. By implementing a system that fosters cooperation between farmers and companies, we have increased efficiency and quality, while maintaining affordable costs for consumers. This system has allowed us to insulate farmers from the risk of changing market prices for chicken and feed ingredients such as corn and soybean meal, which represent the vast majority of the cost of growing a chicken. In other words, farmers are guaranteed a consistent price for their efforts, no matter what the markets are doing.

Loan default rates of broiler farmers are among the lowest, if not the lowest, of any segment of agriculture. Such a track record speaks to the stability of the system, which has worked well for decades and kept tens of thousands of families on farms who otherwise would have had to get out of agriculture altogether.

Myth: The "Tournament System" is unfair to chicken farmers and pits neighbors against each other.

Fact: The term "tournament" is used by critics to imply that there is only one winner in modern chicken production. In reality, it is a performance-based system where everyone benefits, including the farmers, who are compensated according to the quality and care of their chickens, and the consumers, who can count on feeding their families safe, healthy and affordable chicken year-round.

Myth: Tyson Foods invented the idea of "vertical integration."

Fact: J.D. "Jesse" Jewell—not Tyson Foods—is the man credited with pioneering the early development of the modern chicken industry. As American Poultry History has pointed out, the fact is, "unless there had been those who were believers in broilers as a commercial venture, willing to finance, expand and yes, integrate, broilers would be a luxury meat and politicians would still be promising a 'chicken in every pot,' as they did in the 1920s."

Myth: American consumers are supporting a system that "keeps farmers in a state of indebted servitude, living like modern-day sharecroppers on the ragged edge of bankruptcy…"

Fact: Chicken farmers are happy and in many cases feel more secure in the current system. The companies mitigate a lot of the risk involved in a traditional farming operation and supply the growers with everything they need to raise quality chickens including feed, medicine and veterinary care, technical field assistance, and even the chicks themselves. According to a University of Delaware survey, 75 percent of farmers were satisfied in their relationship with a company, and 73 percent were satisfied with business overall. Most companies have waiting lists of farmers who want to grow chickens —an unlikely consequence for an industry that keeps its members on the "ragged edge of bankruptcy."

Myth: A contract farmer could get "sued into bankruptcy" for discussing his ranking in the "tournament system."

Fact: It is an embellishment to say a chicken farmer could be "sued into bankruptcy" for breaching a confidentiality provision in a contract that prohibits discussing the grower's ranking. A contract is a legally binding agreement signed by both the company and the farmer. There are federal regulations in place that require a farmer be given a reasonable opportunity to cure a breach of contract. The benefits of this partnership afford farmers a stable, fixed income, and insulate them from fluctuating market conditions. The best evidence that this partnership works is that people get in it, stay in many years passing the business on to their children and even apply to build additional growout houses so that they can expand their operations.

Myth: "There is so little competition in the meat industry today that companies… can virtually raise the price of meat at will."

Fact: What consumers pay in retail stores for commodity protein products, including chicken, depends a great deal on the cost of feed, demand for products and the supply available. This is not the result of corporate monopoly—it's economics 101. In many cases, companies often will absorb these costs, but the market ultimately determines what consumers will pay. At no time are companies simply able to raise prices at will.

Myth: The chicken industry is "a highly concentrated business controlled by four companies."

Fact: According to a February 2012 study by IBISWorld, greater levels of industry concentration can be seen as a measure of superior economic performance, stronger competitiveness in the global market and increased profitability from economies of scale.

The chicken industry, however, is nowhere near the most concentrated industries in the United States. According to IBISWorld the top four:

- Search Engine Companies are responsible for 98.5% of the market share
- Arcade, Food & Entertainment Complexes: 96.2%
- Sanitary Paper Product Manufacturing: 92.7%
- Wireless Telecommunications Carriers : 94.7%
- Satellite TV Providers: 94.5%
- Lighting & Bulb Manufacturing: 91.9%
- Major Household Appliance Manufacturing: 90.0%

Meanwhile, the top four chicken processors are responsible for 53% of the current market share.

Myth: "Vertical integration gives companies… the kind of power that feudal lords once held. The company can cancel a farmer's contract and put him out of business."

Fact: This image of contract farmers as impoverished "serfs on their own land" is not an accurate reflection of the overwhelming majority of farm families who have partnered with chicken companies. The contract-grower model has remained strong for more than half a century because it is mutually beneficial to both farmers and companies. In this system, farmers are insulated from the volatile swings of the commodity markets.
Two years ago, when grain prices more than doubled and dramatically drove up feed costs, contract farmers' pay rate remained stable, thanks to the companies absorbing billions of dollars in losses. During that same period, many independent cattle and hog producers were forced to sell off animals early or drastically reduce production because they were physically unable to feed their herds. The farmer-company partnership has saved many family farms from being a part of these cautionary tales.

Myth: "The economies of scale now make it almost impossible for new competitors to enter the field and compete…"

Fact: The costs associated with starting a farming business under supply management are high but they are not prohibitive. The numbers indicate that there are people entering the chicken farming business on a regular basis and doing so successfully. Enabled by advances in technology, the modern chicken industry has been able to capture the economies of scale, resulting in an increased variety of products offered by retailers at lower costs to consumers, all while maintaining stable returns for chicken farmers. There are hundreds of small, local chicken producers who offer specialty types of chicken and compete and survive well. And there are now more than 220 regional food hubs in operation around the country and the number of farmers' markets has increased by more than 67 percent in the last four years, according to the USDA.

Myth: "[The birds are brought] back to the plant, where the chickens are funneled into chutes… and hung upside on hooks and decapitated before they travel down a disassembly line…"

Fact: Strict company and government-enforced regulations require personnel to undergo training to handle the birds in a humane manner at all times. The birds are kept calm and rendered unconscious and incapable of feeling pain prior to slaughter. The whole process takes place in seconds and is routinely audited by outside inspectors, with the welfare of the birds as the top priority.

Myth: Chicken companies can pick and choose which baby chicks are healthy, and intentionally deliver unhealthy chicks to some farmers.

Fact: It makes no economic sense for a company to do anything to deliberately jeopardize farmers from growing the healthiest chickens possible. Raising top quality birds produces wholesome chicken, and paychecks, for both farmers and the companies. By his own admission, Leonard says that there is no evidence to support these claims.

Myth: "The success of any given flock of chickens rests primarily on the quality of the feed the birds eat and the healthiness of baby chicks when they are delivered."

Fact: These are two important elements of the success of any flock, but they are by no means the only elements. A farmer must routinely walk among the chickens to check for signs of disease; make sure that the temperature inside of the barn is comfortable for the chickens; the feed and water systems are operating correctly; the barn is secure to protect the flock from wild birds, rodents and predators; the back-up generator is functioning in case of emergency; propane stocks are full; the chickens are receiving veterinary care provided by the company, etc. To say that a farmer's success depends only on healthy chicks and good feed is an insult to the hard work of tens of thousands of U.S. farmers.

Myth: Field technicians and flock supervisors employed by companies are unwilling or unable to help farmers when there is a problem.

Fact: Field technicians are specifically employed to assist farmers in raising the healthiest chickens possible. It is in the economic interest of both the farmer and the company to see that the chickens are healthy and treated with care.
A survey conducted by the University of Delaware Extension Service found that the vast majority of chicken farmers, 88.9 percent, have a good relationship with their service technician, and that their technician helps them become better growers.

Myth: Meat prices have risen much faster than many other staples of modern life.

Fact: Chicken processors supply chicken to supermarkets that sell it today for an average of $1.97/lb, less than half of what shoppers pay for beef or pork and, after adjusting for inflation, less than it cost a decade ago.

We agree with Leonard that one of the major factors affecting the price of meat is the steady supply of corn being diverted into fuel in the form of ethanol because of government mandates. Corn makes up approximately two-thirds of chicken feed.

Myth: Federal oversight of the meat and poultry industry is weak.

Fact: In order to ensure that industry concentration levels do not adversely affect competition, two federal agencies, the U.S. Department of Justice and the Federal Trade Commission, enforce the nation's antitrust laws, including the Sherman Antitrust Act and the Clayton Act.
Livestock and poultry procurement and marketing practices are also subject to additional scrutiny, being regulated by USDA's Grain Inspection, Packers and Stockyards Administration (GIPSA), which administers and enforces the Packers and Stockyards Act to protect farmers, ranchers and consumers.