

CAMPAIGN FOR CONTRACT AGRICULTURE REFORM

a voice for contract farmers, ranchers and their communities

Cooperative Marketing Amendments to the Agricultural Fair Practices Act

“If farming continues to move toward contractual “supply chains,” this could be the most important farm law of the twenty-first century.”

-Dan Looker, Business Editor, Successful Farming Magazine

The legislation

The Livestock Title of the Senate Farm Bill amends the Agricultural Fair Practices Act to protect the ability of farmers to negotiate fair contracts with processors. Specifically, the amendments would enhance the rights of producers and their cooperatives by:

- Providing for mutual obligations for good faith bargaining between processors and cooperative associations of agricultural producers;
- Closing loopholes which have made the Act difficult to enforce.

The need for reform

Two fundamental changes are taking place in agriculture: the concentration of market control by fewer and fewer processing firms and the gradual replacement of traditional open markets by contract production and vertical integration. The compounded impact of these changes is a growing inequality between the family farmer and large agribusiness corporations, an inequality that is depressing farm income and threatening the economic viability and environmental health of our rural communities.

Legislative background

Responding to the retaliatory practices of processors in the 1950's and 1960's, the Agricultural Fair Practices Act of 1967 was passed to ensure that family farmers could join together in authorized cooperative associations to market their produce without fear of interference or retribution from processors. Unfortunately, bargaining loopholes in the legislation and changes in farm markets are making it increasingly difficult for producers to organize and attain a fair price for their products.

The weaknesses of the current Agriculture Fair Practices Act include:

- **No Inducement to Bargain.** Handlers are not required to bargain in good faith with producer associations. In fact, while the Act prohibits processors from refusing to deal with producers simply because they are part of an association, it includes a disclaimer provision permitting the processors to refuse to do business with a producer for *any* other reason. This makes discrimination based on association membership extremely easy to disguise. Passage of the Livestock Title in the Senate Farm Bill requiring good faith bargaining will give marketing cooperatives the leverage to compel negotiations. It provides farmers a means of equal participation in contract negotiations with processors, participation reflective of the farmers' economic investments.

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