



## **MARYLAND DEPARTMENT OF AGRICULTURE**

### **LEGISLATIVE COMMENT**

**DATE: March 2, 2016**

**BILL NO.: HB 1496**

**SUBJECT: FARMERS' RIGHTS ACT**

**COMITTEE: HOUSE ENVIRONMENT AND TRANSPORTATION**

**MDA POSITION: WRITTEN OPPOSE**

#### **EXPLANATION:**

HB 1496 would place requirements for livestock production contracts between contract producers and contractors, as defined in the bill. The bill also establishes specified rights for contract producers and prohibits contractors from engaging in specified practices. Violators are subject to civil and criminal penalties. The Office of Attorney General (OAG) is responsible for enforcing the bill's provisions and may adopt regulations to implement the bill. The bill applies prospectively to contracts entered into on or after the bill's October 1, 2016 effective date.

#### **COMMENT:**

This legislation would affect the contractual terms and relationship between vertically integrated agricultural animal producers and the growers who contract with them to feed and care for their animals. There are five companies that contract with farmers to raise broilers in Maryland, one for turkey, and a small but unknown number for hogs, heifers, and eggs.

Based upon the 2012 Ag Census conducted by the U.S. Department of Agriculture's National Agricultural Statistics Service, Maryland has 49 farms producing heifer cows under contract, 683 growing broiler chickens, eight laying hens, two pullets, six hogs, and three turkeys. MDA believes that most of the companies that contract with growers are not small businesses although that may not be true for the replacement heifers "contract operations". All the farms that contract to grow animals are believed to be small businesses.

Broiler production accounts for nearly 40% of all farm receipts in Maryland and is by far the largest agriculture enterprise in the state. In addition to the revenues directly attributable to broiler production, the poultry industry demand for feed grains and soybeans is the predominant market for Maryland grain producers.

The additional contract provisions that the bill requires are generally intended to benefit and protect the contract grower. To the extent that these requirements would impose additional costs, uncertainties, and risks on the "Contract Operations", over the long run the bill would be expected to have a negative impact on contract growing opportunities in Maryland as companies

would seek to relocate production to states that do not have these requirements, or pass the costs back to the contract growers by way of reduced compensation in order to mitigate the additional expenses and risks. It should be noted that the marketplace for meat products is highly competitive and producers have little ability to influence prevailing prices. Thus, a contract operation would have but one direction in which to transfer their costs in order to remain competitive and realize a rate of return commensurate with the sector.

Contract animal production has proven to be a highly efficient means to organize resources in order to meet market demand for meat products. Contract opportunities have been one of the most successful ways for a young and inexperienced individual to enter farming. Many experienced farms have also found that contract production complements their other farm enterprises, helps diversify risks, and improves cash flow over their entire operation. Farmers in the Delmarva region are in the comparatively enviable position of having five companies vying for contract growers.

**MDA requests an unfavorable report for HB 1496**