

## **Co-Permitting: A Bad Idea for Integrators and Growers Alike**

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U.S. Poultry & Egg Association (USPOULTRY) is an organization dedicated to the advancement of the poultry industry through education, research and training. Our membership includes poultry producers, integrators and allied suppliers. Annually, USPOULTRY hosts the International Poultry Exposition (IPE) in Atlanta, routinely bringing to the city 26,000 industry visitors and having an economic impact of over \$27 million. The proceeds from the IPE are put back into Association activities in research, training and education. We fund \$1.2 million/year in university research throughout the nation to continually improve and challenge the poultry industry. We funded almost a million dollars of poultry-related environmental research alone in the last decade. Much of that research is being implemented today in the poultry industry in litter re-use, alternate litter handling practices and mortality management.

Proper environmental management of animal feeding operations (AFOs) has become a regulatory focus over the last several years. In the poultry industry, growing operations result in the production of manure, largely in the form of "dry litter." Historically, this material has been recycled as a fertilizer in crop or forage production. This practice has been of benefit to the poultry producer in that it provides a low-cost, low-solubility, natural organic fertilizer to increase agricultural production. Like any other fertilizer product, proper management of poultry litter and manure is necessary to ensure proper utilization, and prevent adverse environmental consequences. This potential adverse impact has led many states to adopt, and the federal government to support, an increased level of regulatory supervision of poultry farms, intended to ensure proper management of these materials. Their efforts have focused on development and implementation of farm-specific nutrient management plans (NMPs). Poultry processors have supported and facilitated activities to educate growers in adopting NMPs. Together with the resources provided by USDA Extension Service personnel, university system scientists and others, this has resulted in literally thousands upon thousands of poultry growers nationwide receiving formalized training in nutrient management planning.

USPOULTRY, the processors and the growers all understand the need for and are committed as an industry to formal NMP implementation. Our joint efforts of the last several years demonstrate that commitment.

Another issue has emerged, however, in the last few years in the debate over how to ensure AFOs do not adversely impact the environment. That issue is "co-permitting" or "integrator liability." Far and away, most poultry is grown under contract between the grower and the processor, or integrator. The integrator supplies the chick, the feed, technical advice, etc., to the grower. The grower, in turn, supplies the poultry house, the litter shavings, feed and water systems and the day-to-day management of the flock. The grower is also responsible for removing the used litter on a periodic basis and re-using that litter in a manner that is environmentally sound in accordance with that grower's needs. As previously mentioned, the majority of growers use the material on pasture and cropland primarily, but alternate uses do

abound - such as using litter as a cattle feed. If a grower does not have a need for all of the litter from the operation, he typically sells the litter to a neighbor or contracts with a clean-out firm to remove the litter.

This relationship has been beneficial to both the integrator and grower. Obviously, the industry has grown dramatically in the last 30 years, making wholesome, healthy, inexpensive poultry the meat of choice in the U.S. Further, a recent independent university study in Alabama indicated 80% of growers were satisfied with their poultry business and their integrator. Similar studies in other areas of the country have yielded similar results. Like any other business, poultry growing is not for everyone, but this outstanding satisfaction level speaks well for the relationship between the contracting parties, the integrator and the grower.

Proponents of "co-permitting" (integrator liability) claim it will help ensure AFOs have adequate resources to adopt environmentally sound practices by requiring AFO permits to be issued jointly to both the grower and the integrator, making both parties liable for any environmental mismanagement of the facility. This provision is promoted as helping the small farmer.

USPOULTRY believes that, as it applies to poultry AFOs, co-permitting is unnecessary, ill-conceived and likely to result in the opposite of its intended effect to help the small farmer. The rationale for this position is outlined below:

1. Co-Permitting is Unnecessary.

Proponents of co-permitting for AFOs state it will help ensure adequate financial resources are available for sound environmental management. Frequently cited in such discussions is the cost of remediation or closure of a lagoon waste handling system. Far and away, the majority of animal waste produced in the poultry industry is dry litter. With dry litter, no large capital outlays are required to adopt state-of-the-art environmental stewardship techniques. In fact, most growers have already adopted such techniques in response to the USDA/University/integrator environmental management training sessions conducted over the last few years.

What potential increased costs are faced by poultry growers? As research and education continues, there are, and will be, areas of the country where further efforts are required to ensure sound environmental management continues. Notably, this includes lower application rates of litter in certain areas to prevent an undesirable build-up of soil phosphorus content. This will result in transporting litter further to areas where its application is desirable agronomically, or other alternate uses of the litter. Other increased costs are possible due to construction of litter sheds and formalized creation and adaptation of certified nutrient management plans.

It should be noted that none of these are huge increases in current costs of production, amounting on an annual basis to \$2000/year or less. Further, the fact of the matter with a vertically integrated industry is that for any part of the production chain to be successful, all parts of the production chain must be successful. Integrators need growers as much as growers need integrators. In the past, what has happened when production costs went up? First and foremost, the grower, as has been the case throughout the history of American agriculture, has become more efficient – often by adding capacity. This is the primary reason why the abundant American

diet takes the lowest percentage of income of any nation in the world. Second, all facets of the industry, as well as USDA and the universities, have supported research, education, and training to develop improved production practices, that have led to greater efficiencies as well. Finally, though, when increased costs struck the grower segment of the production chain and could not be eliminated by greater efficiencies (e.g., higher fuel costs, higher interest rates, etc.), contract payments similarly increased to ensure the continued economic viability of the grower. Similarly, any marginal increase in production costs associated with implementing appropriate environmental management practices that can not be offset through the aforementioned methods will ultimately result in higher pay-outs to the grower. Alternately, integrators may choose to provide litter handling assistance to the grower by constructing and operating centralized litter processing facilities. This is occurring today in the phosphorus sensitive Chesapeake Bay Region. Four integrators are constructing "litter to energy and/or fertilizer" facilities that will come on-line later this year or early next year. Consequently, co-permitting is unnecessary in the poultry industry because the fundamental nature of vertical integration ensures adequate compensation to the growers, or a shifting of costs away from the grower, for implementing enhanced environmental management techniques.

## 2. Co-Permitting is an Ill-Conceived Concept in the Poultry Industry.

Most poultry growers are involved in other agricultural enterprises - whether that be hay production, raising cattle or row crop farming. Environmentally sound farm management plans must address all aspects of the operation, not merely poultry litter and mortality management. The grower has no desire to see the integrator injected into the management of the entire agricultural operation, yet that would be the result of co-permitting. The integrator would need to have more control over the entire farm to protect it from any liability associated with other aspects of agricultural operations occurring at the farm. Placement of septic tanks, commercial fertilizer application rates, pesticide usage on forage or row crops, vector control, cattle grazing and production numbers would presumably have to be reviewed and approved by the integrator to ensure sound environmental practices on the farm. Note, the integrator would be involved in these decisions, directly impacting the bottom line of a family farm, with absolutely no investment or capital-at-risk in the other agricultural operation occurring at the farm. Further, unlike the grower, the integrator is not equipped, trained or educated in making these decisions. Co-permitting is ill-conceived because it forces the integrator to still do so.

## 3. Co-Permitting Will Hurt Rather Than Protect the Grower.

Environmental permits carry liabilities for noncompliance. If co-permitting is adopted, integrators will move to minimize that liability exposure. Over time, this will be accomplished via two methods. First, the industry will shift to larger farms, in terms of both available acreage and the number of production houses. This will allow the integrator to spend more time on each farm to ensure all aspects of the agricultural operation are being properly managed. (Currently, a grower is visited by the integrator's technical service representative weekly for about an hour.) Larger farms will limit the number of farms where an integrator is carrying this potential environmental liability. But it will also limit the opportunity to grow poultry to those who can afford to build several poultry houses. The industry will shift away from two, three and four

house farms over time, eliminating the cash income that comes from growing poultry for these smaller farms.

Second, more integrator-owned housing will be constructed. With the liability that comes with co-permitting and the impact of other non-poultry related agricultural activities on most current poultry growers' farms, many integrators will choose to construct and operate their own production farms. Note several integrators already own a substantial percentage of their production houses, and at least one owns almost all of their production houses. Implementation of co-permitting will only increase the number of company-owned farms in lieu of family-owned farms.

Over the long term, USPOULTRY believes co-permitting will result in a shift away from reliance on relatively small family farms for poultry growing and an increased reliance on large contract farms and company-owned poultry housing. The small family farm, who is the alleged beneficiary of co-permitting, would exit the business over time.

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