Broiler production is a big business in Georgia. According to Georgia Agricultural Statistics, 1.21 billion broilers were produced in the state in 1998. This was an increase of 3.0 percent over the 1.18 billion produced in 1997 and represents 15 consecutive years of record high numbers. Accounting for more than 15 percent of the nation’s total production, Georgia ranked first in broiler production in 1998.

Broiler production in Georgia is currently heavily concentrated in the northern counties of the state, with more than 70 percent of all broilers grown produced in the northern districts. Production is continuing in this area of the state; however, much of the future growth of this industry will occur in the central and southern areas of the state. The growth in these regions will occur as a result of land availability, less urbanization, the need for alternative agricultural enterprises for farmers, and the application of new ventilation systems that reduce the severity of heat stress.

No one can predict with certainty the future rate of growth of the broiler industry; however, broiler production in the United States and Georgia should continue to be a viable and dynamic agricultural industry well into the 21st century. Broiler production likely will become even more prominent in Georgia’s agricultural picture and could exceed 45 percent of all farm cash receipts within a few years.

The contract system, which is essentially a partnership arrangement between poultry companies and growers, has generally worked to the benefit of both parties. It is a system that has provided farmers an opportunity to participate in poultry production while allowing integrators the opportunity to invest more capital in the processing and marketing segments of the business.

County Extension agents and Extension poultry specialists frequently receive requests for information on how to get into contract broiler production. It is the objective of this publication to answer some of the most often asked questions regarding this business.

Q. What is the broiler industry like?
A. Today’s broiler industry is a rapidly changing and highly technical agricultural industry. It is referred to as “vertically integrated,” meaning that an individual company called an “integrator” performs all or most production aspects. Integrators generally own breeder flocks, hatcheries, feed mills, and processing plants. The integrators provide the chicks, feed, medication, part of the fuel for brooding, and technical advisers to supervise farm production. These representatives will visit the farms once a week normally and more frequently when problems arise.

Integration reduces costs by coordinating each stage of production. All stages of production are controlled to utilize resources and facilities with maximum efficiencies. Integration practices not only improve cost efficiency but also permit the production of more uniform birds. The integrator is also responsible for all processing and marketing activities. In today’s competitive marketplace, these activities are crucial to the success of poultry production and require a professional approach.

Q. How many broiler companies are there in the United States, and where are they located?
A. Approximately 50 poultry companies are currently in operation in the United States. The top 10 integrators account for more than 60 percent of all the broiler production in the country. In the United States, broiler production is found mostly in the southeastern and south central states. Together, these two regions produce more than 85 percent of the United States’ broiler meat supply. The five leading broiler production states are Georgia, Arkansas, Alabama, Mississippi, and North Carolina. These five states currently produce more than 60 percent of all the broilers.

Q. If an individual is interested in getting into the business of raising broilers, what options does he or she have?
A. Other than being a manager or an employee of a company-owned farm, the best option for individuals interested in raising broilers is to become a contract producer for an integrated company. Having an independent broiler-growing operation is no longer feasible. The costs are too high and the risks are too great.
Q. What percentage of broilers are grown under contract?
A. Approximately 99 percent of all broilers are produced under contract, with the remaining production occurring on integrator-owned farms.

Q. What are broiler grower contracts?
A. Grower contracts are legal written agreements between integrators and growers that provide full and complete disclosure of all terms and conditions affecting grower payment for production of poultry. These include:
1. Terms of payment
2. Settlement sheets
3. Grouping or ranking sheets
4. Condemnations and grading certificates
   - As live birds arrive at a processing plant, inspectors immediately remove those birds that have already died or are suspected of carrying a disease harmful to man. When the accepted birds are killed in the plant, they are again inspected for evidence of downgrading (blisters, bruises, skin tears, or other defects) that might make the bird unattractive or unwholesome as a human food. Only a small percentage of birds will normally be condemned and removed from the processing line.

The Packers and Stockyard Act regulations also require that certain specifics be spelled out in each contract:
1. Duration of contract and conditions for termination by either party
2. All terms relating to payment made to grower including, where applicable, party liability for condemnations (including plant errors)
3. Formula used to convert condemnations to live weight
4. Method used to figure feed conversion ratios
5. Per unit charges for feed and other inputs furnished by either party
6. Factors used in grouping or ranking of grower
7. Time at which final payment will be made to grower
8. Items provided by the grower
   - Housing
   - Equipment
   - Labor
     Hired labor is strictly an employee of the grower. The grower is responsible for all unemployment taxes, retirement, etc.
   - Utilities
     Includes fuel and electricity
   - Adequate roads and loading area
   - Litter
     In some cases the company provides litter.
     When provided, the company usually allows for one cleanout per year.
9. Other provisions. Most contracts are for one flock and may be renewed automatically until cancellation by either party. In some cases, companies are providing long-term contracts to provide more security for long-term investments by growers. Under these circumstances, contracts can still be canceled due to contractual compliance failures.

Q. What are the advantages and disadvantages of the contract system for growers?
A. Advantages
1. Reduced management responsibilities.
2. Less risk for production and less risk for loss of income.
3. Relatively fixed income; some insulation from price changes.
4. Less operating capital necessary.
5. Opportunity to participate in poultry production.
6. Opportunity to obtain additional income from the farm.

Disadvantages
1. Possibility of limited opportunity for growth. New building and expansion are dictated by integrators’ plans.
2. High fixed investment. Broiler houses with modern equipment currently cost in excess of $120,000 each.
3. Pressure to keep up with technological changes in management, housing, and equipment.
4. Possible lack bargaining power.

Q. Could you describe a typical broiler house and explain the different housing options?
A. Most broiler houses in Georgia are similar in structure, with insulated roofs and litter-covered dirt floors. Houses may have curtain sides or totally enclosed walls. Ventilation is provided either by natural air movement or power ventilation systems using fans. In recent years, the tunnel ventilation system using fans generating a high air velocity in the house has become popular with many Georgia companies. This system is particularly effective in reducing heat stress during the summer. All broiler companies have broiler house specifications that provide guidance regarding housing types and construction.

Q. What are the benefits of environmental housing?
A. Totally enclosed houses provide greater control over the birds’ environment. Economic benefits of enclosed housing include fewer condemnations and downgrades, improved feed conversion, and better livability. Enclosed housing costs more to build and operate than conventional curtain-sided housing, but economic benefits achieved through improved performances generally offset the additional costs.

Q. How much does housing cost and what kinds of returns are generated?
A. Current costs for a fully equipped 20,000 square foot house with fans, feeding, watering, and brooding equipment are between $120,000 and $130,000. Investment costs for new houses include land grading,
A. Labor includes the grower’s labor, some help from family members and relatives, hired labor paid in cash, and labor paid in kind. Return for the grower’s labor is included in the payment to the grower. It is the difference between the contract payment and grower’s costs to raise the broilers. There is no direct relationship between hours spent in the broiler house and contract payment. Relatively few broiler farms depend on hired labor. Labor paid in kind is an important part of cleanout labor. In this case, custom cleanout service or help is often provided in return for the used litter.

Work in and around the broiler house can be divided into four operations: 1) house preparation, 2) starting chicks, 3) growing, and 4) miscellaneous chores.
1. House preparation includes cleaning and disinfecting the building and equipment.
2. Starting chicks covers the placement and care of baby chicks for the first 10 days.
3. Growing covers the everyday chores for raising the chicks from 10 days to marketing.
4. Miscellaneous chores include medicating, vaccinating, repairing equipment, mowing grass, removing caked litter, and picking up mortality.

Q. What other equipment will I need to have on the farm?
A. In addition to the equipment found in the broiler house, supplemental equipment such as a farm tractor, pick-up truck, front-end loader, manure spreader, mower, and standby generator are generally necessary. Cost will depend on whether new or used equipment is purchased. By shopping around for good, used farm equipment, supplemental equipment costs can frequently be held under $30,000.

Q. Describe labor on a broiler farm. Does the grower do all the work? What are the different stages or operations of managing a broiler farm?
A. Labor includes the grower’s labor, some help from family members and relatives, hired labor paid in cash, and labor paid in kind. Return for the grower’s labor is included in the payment to the grower. It is the difference between the contract payment and grower’s costs to raise the broilers. There is no direct relationship between hours spent in the broiler house and contract payment. Relatively few broiler farms depend on hired labor. Labor paid in kind is an important part of cleanout labor. In this case, custom cleanout service or help is often provided in return for the used litter.

SUMMARY
Before deciding to become a contract grower, determine whether or not you possess the attitudes and capabilities to be a successful grower. According to the National Broiler Council, a prospective grower should have the following assets.
1. A desire to raise chickens
2. The financial capability to build housing
3. Adequate and dependable labor
4. Willingness to meet contractual obligations
5. A mind for business
6. An open mind to accept improvements as new information becomes available
Once you decide you are interested in contract broiler production, the first thing to do is to contact the broiler companies within your area to find out if they are interested in contracting with new producers. Get copies of the companies’ specifications for buildings, equipment, scheduling, and contracts. Do not invest in land, buildings, or equipment until you have written assurance from a broiler company that will offer you a contract to grow broilers for them.

Visit nearby producers who are presently on contract with the company in which you are most interested. Determine if there is enough land available for buildings and waste disposal. Talk to your neighbors about your decision. Do you have their support, or will the neighbors become a major problem?

Talk to financial agencies such as the Federal Land Bank, Production Credit Association, commercial banks, etc. Visit and discuss your plans with your county Extension agent and Extension poultry specialists. Obtain copies of Extension publications on broiler production and management (see “Recommended Reading List”).

To make a sound decision, you must learn as much about the business as possible. The more people with whom you talk, the more knowledgeable you will become.

**Recommended Reading List**

*Broiler Production and Management*. Department of Poultry Science, Extension Publication, Athens, GA 30602.

*Effective Broiler House Cleanout and Disinfection Techniques*. Department of Poultry Science, Extension Publication, Athens, GA 30602.

*Environmental Control of Poultry Houses*. Department of Poultry Science, Extension Publication, Athens, GA 30602.


*Improving Feed Conversion in Broilers*. Department of Poultry Science, Extension Publication, Athens, GA 30602.


---

**Learning for Life**

*Prepared by Dan Cunningham, Extension Leader, Poultry Science*

The University of Georgia and Ft. Valley State University, the U.S. Department of Agriculture and counties of the state cooperating. The Cooperative Extension Service, the University of Georgia College of Agricultural and Environmental Sciences offers educational programs, assistance and materials to all people without regard to race, color, national origin, age, sex or disability.

*An Equal Opportunity Employer/Affirmative Action Organization Committed to a Diverse Work Force*