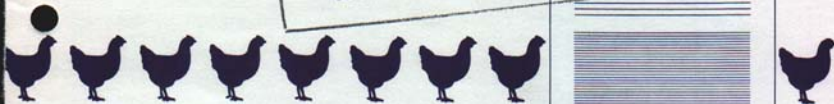


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CONTRACT



STARTED PULLET CONTRACTS

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THE PRODUCTION OF PULLETs for market egg production has gone through some major changes in the last 5 years. A high percentage of pullets purchased by commercial egg producers has been grown to the age of 20 to 22 weeks by somebody other than the egg producer. This change came with the move away from the 250-bird average-sized flock to the 3,000 - 10,000 or more bird laying flock on the commercial poultry farm of today.

A high percentage of these started pullets are raised under contract. The contractor is usually either an integrator or a hatcheryman. The contractor makes arrangements to sell the birds raised by the started pullet grower or producer to some commercial poultryman.

Conditions in commercial egg production in Michigan lead one to believe the started pullet producer will be in business for some time. There are several reasons for this. The first reason is that the cost of the started pullet installation is usually more than the commercial egg producer likes to have invested for a laying-house replacement program. He may not be able to fully utilize the facilities that he must have. A second reason is the disease control problem. Old hens and young chicks on the same farm leads to a serious problem of transmission of any diseases that the old birds have to the young chicks. As a result, practically all of the started pullets that are grown in the state of Michigan are on a contract basis.

This has given rise to problems in contracts for the raising of started pullets to the ages of 16 to 22 weeks of age. Interested producers should recognize that, this being new business, there are contract problems that must be solved.

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Methods of Payment

There are usually many methods of payment available to producers of started pullets. One of these methods is based on a flat fee. The flat fee has ranged from 1 $\frac{1}{4}$ c to 2c per bird per week. This payment is usually based on the number of saleable pullets at the end of the growing period. Some growers have been concerned about the payment being based upon the number of saleable pullets. There is some thought that the contractor might be hard to please — that saleable pullets might be difficult to raise or the contractor hard to satisfy. The producer does not need to be unduly concerned about this as the contractor usually will have considerably more involved in his costs than the producer. Generally speaking, the term saleable is used to imply a bird of reasonable health and development for its specific age.

Some contractors prefer to pay for labor and facilities on a salary basis. They pay so many dollars per week for taking care of the flock of pullets.

Another method of payment is one in which the producer furnishes everything but the baby chicks. This means that he contracts for the feed, heat, lights, house, equipment — all costs — except the baby chick cost. The producer would then get paid \$1.00 to \$1.20 for each saleable pullet. This tends to pay the producer for his ability to really manage a flock. If he buys good feed at a low price, uses fewer pounds of feed to raise each bird, keeps down mortality, raises saleable birds, and in general does a job, he gets paid well for it.

Labor Requirements

Pullet contracts should stipulate who does the extra jobs that are involved, other than the ordinary chores of raising baby chicks. These extra jobs have to do with the debeaking, vaccinating, catching and loading of the birds, particularly at the end of the growing period. The producer should be certain that

he understands whether he is to provide any help for the debeaking crew, if and when the birds are debeaked. The vaccination schedule is a part of every pullet growing program. Is the producer required to give the vaccination or will the contractor arrange to do this?

It would appear good business for the pullet grower to be present during any handling operation but particularly during the catching and loading operation at the end of the growing period. It is at this time that the number of saleable pullets will be determined. If he is to be paid on the basis of saleable pullets, he should know what the contractor wants. One of the ways of finding out what the contractor wants is to be present when the pullets are graded. The grower should also be interested in what happens to the cull birds. Who owns them and how they are disposed of are at least two questions that he should ask.

Growing Program

The production of started pullets is becoming more and more exacting. It is necessary for a grower to understand what to do and also why it is important. He must be certain that he completely understands the contractor's growing program. This is especially important when he is located quite some distance from the contractor. The producer should be very alert to unusual conditions and activities in order to report these to the contractor immediately. Most contractors would rather not have producers do too much in the way of independent action. Their programs have been designed and are working, generally over a large number of pullets. The contractor should be informed about any unusual conditions so that he might make up his mind what to do.

Contract Renewal

Another important part of the contract is the length of the contract. It also might be asked, "Is it renewable and is this renewal automatic?" If a producer builds a new building and buys new equipment to start a pullet operation, the contract should be for more than one flock of 20 weeks duration. Some contracts are written for 3 to 5 years, or 7 to 10 groups of pullets. It would seem that the producer would go out of his way to do a good job of protecting the contractor by raising top-quality pullets. He must do this because the contractor's business is built on repeat sales. The producer's high investment cost necessitates a continuous growing operation. In situations like this, practically everyone succeeds with well-grown pullets; however, everyone fails with poorly grown birds.

Unusual Conditions

There are a few unusual conditions that might develop which would be well to consider in writing a contract. The following questions point out areas which should be covered in the contract.

1. What happens in case of distressed started pullets? Distressed started pullets occur when the market becomes saturated. This may happen because the laying house being built for the birds is not finished; the egg producer may cancel an order because of extenuating circumstances (laying house burns down, changes his mind, etc.), or it may happen that the pullets were started before they were actually ordered. At times like this the contractor frequently cannot immediately place 3,000, 5,000 or 10,000 started pullets.

2. What happens in case of excessive death loss? Excessive death loss is most unusual. What can happen is serious damage to the health of the birds due to an unreported or delayed report of disease in the birds. It is to the grower's advantage to be sure that the birds are well grown. The grower, as well as the contractor, has an implied obligation to the commercial egg producer so far as egg production potential is concerned. The one thing that is most damaging to commercial egg production is poor quality pullets. This is a condition that cannot possibly be overcome by good management in the laying house.

3. Is there an escape clause in the contract? There should be a cancellation clause in the contract for reasonable causes. If the farm is sold, the pullet house burns down, or either or both parties die, there should be some way of canceling the contract.

Alternatives

The prospective pullet producer must realize that the alternatives that he has in pullet production are very few. His alternatives are more apparent before he starts production than after production has started. He has the alternative to produce birds or not to produce birds before new housing and equipment are purchased. After housing and equipment are purchased his alternatives may be pullet production or egg production. The contract pullet production business should be studied carefully before a producer makes the final step to get into pullet production.

When studying alternatives the producer-contractor relationship must be considered carefully. There's almost complete dependence of the producer on the contractor for the program — from baby chick quality and placement time to the sale and money handling. The contractor depends on the producer for results — fine, well grown pullets.

SUGGESTED PROVISIONS FOR STARTED PULLET GROWING CONTRACTS

Section I. Date, Contracting Parties, Description of Property, and Term of the Contract

1. This contract is made this day of, 19....., between of (business address), hereinafter called the Contractor, and of (address, wife's name and address also), an independent contractor, hereinafter called the Grower.
2. The Contractor, in consideration of the agreements with the Grower hereinafter set forth, hereby furnishes to the Grower (No.) baby pullet chicks to raise to weeks of age. The Grower, in consideration of the agreements with the Contractor, agrees to raise the pullets to said age.
3. The baby pullet chicks are to be placed and are to remain throughout the growing period on the farm, located in or near (town or city), (county), (state).
4. The Grower agrees that the Contractor shall have and retain full title to the birds and all supply items that the Contractor places on the Grower's farm except those items paid for by the Grower.
5. This contract shall end when the pullets are marketed unless continued by the Contractor offering chicks to the Grower and the acceptance of the chicks by the Grower. This contract shall govern the raising of such subsequent broods of chicks, except when modified in writing by amendment.

Section II. Management Program

1. The Contractor and the Grower jointly agree to the management program attached hereto as Appendix A, which is incorporated and made a part of this contract.

Section III. Production Items Supplied by the Contractor

The Contractor agrees to:

1. Supply and pay for the feed, pullets, medication, etc. (Be sure to list others.)
2. Provide a serviceman, without cost to the Grower, whose duty will be to advise the Grower regularly on his management program and be on call at all reasonable times to give such advice.

Section IV. Items Supplied by the Grower

1. Furnish land, building(s), and equipment including brooders, feeders, waterers, etc. necessary to raise pullet chicks according to practices stated in this contract and appendix.
2. Personally supervise and supply all labor for production of the pullets.
3. Remove and dispose of the manure and completely clean and sanitize the house before the next baby chicks are delivered.

Section V. Payment to the Grower

1. The Contractor and the Grower mutually agree to a compensation to the Grower based upon one or a combination of the following plans:

(a) Flat fee

- (1) Salary of per pullet finished.
- (2) cents per week per saleable*

(b) Incentive plan

- (1) Saleability or Liveability

% Bonus

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2. Payment shall be made (Specify weekly, monthly, or at the end of growing period.)
 3. The Contractor may dispose of the pullets at his discretion, at any time between the ages of and weeks with or without consultation with the Grower. If the Contractor disposes of the pullets before weeks or after weeks, the Grower may submit any damage claims arising from such an occurrence to the Contractor and in the event of disagreement, to arbitration as outlined in Section VII.
 4. Labor for catching birds to be sold will be furnished by the Contractor.

Section VI. Taxes and Insurance

1. Personal property taxes shall be paid by the party who holds title to several items. All employment and real estate taxes are the responsibility of the Grower.
2. Fire and extended coverage insurance on the pullets, feeds and supplies shall be carried by the party who holds the title to the items and a copy of the policy submitted to the other party for inspection. Each party shall share in any proceeds in proportion to his contribution to the contract.
3. Other insurance

Section VII. Arbitration

1. Disagreements not reconciled between the Contractor and Grower shall be referred to a single arbitrator if agreeable to both parties, or if not agreeable, to a board of three financially disinterested persons after giving three days notice to the other party. Arbitrators shall be familiar with the poultry industry and shall not be related to either party. One arbitrator shall be appointed by the Contractor, one by the Grower, and the third by the two thus appointed. The decision of the arbitrator or arbitrators shall be considered binding by the parties of this contract.

*The term "saleable" as used herein is intended to imply a bird of reasonable health and development for its specific age and the management program under which it is grown.

2. Any cost of arbitration shall be shared equally between the two parties to this contract.

Section VIII. Breach of Contract

1. If either party shall violate the terms of the contract, the other party shall have the right to continue the pullets to marketable age by supplying whatever item or service is in default, and making a regular charge plus 20% for such item or service.
2. If the Grower is in default in properly caring for the pullets, the Contractor may remove the pullets from the premises and place them with another Grower or if this is not feasible, sell them. The Grower shall be entitled to a reasonable compensation for his property which was used and for services less the expense of transfer or sale and shall be further charged 20% of such costs before any compensation is paid.
3. A disagreement as to amounts due may be submitted to arbitration in accordance with Section VII.
4. In this event of illness or death of either party making performance impossible and if agents or successors in interest are unable to complete the contract, the other party shall continue the contract if practicable and make reasonable charges for the extra expense involved but there shall be no special charge or penalty because of inability to perform due to illness or death.

Section IX. Assignment

1. The Grower and the Contractor agree neither to assign this contract to any person(s) or entity nor turn care of said pullets over to anyone else without written consent of the other party. However, such consent shall not be unreasonably withheld if good cause is shown for the assignment.

Section X. Other Agreements

.....

IN WITNESS WHEREOF, the parties place their signatures below.

..... (Seal)
 (Date) (Contractor)
 (Seal)
 (Date) (Grower)

NOTE: Notarization is not necessary unless the contract is to be recorded. Recording is not essential but has the advantage of informing third parties of the fact that the Contractor has title to the pullets.

State of Michigan

County of }
 On this day of, 19..... before me
 personally appeared
 to me known to be the
 person(s) named in and who executed the foregoing
 instrument and acknowledged that
 executed the same as
 voluntary act and deed.

(Notary Public)

APPENDIX A

Management Program:

1. Minimum floor space per 100 birds shall be:
 0-8 weeks square feet.
 9-16 weeks square feet.
2. Minimum feeding space per 100 birds shall be
3. Minimum watering space per 100 birds shall be
4. The feeding program shall be
5. The maximum number of chicks per hover shall be
6. Not more than one age of birds shall be kept on the farm.
7. The vaccination program shall be
8. In the event of disease, the Grower agrees to notify the Contractor immediately. The Contractor agrees to inspect the flock immediately and reach an agreement with the Grower on control measures. In case of disagreement between parties with respect to treatment of disease, the recommendation of the Contractor shall prevail.
9. The Grower shall permit the Contractor or his agents on the premises at any reasonable time for inspection, blood testing, culling, or any other purpose for the proper care and protection of the pullets.
10. The Grower shall permit the Contractor to bring prospective buyers on the premises at any reasonable time to inspect the pullets but shall exclude other visitors from the proximity of the growing area.
11. The Grower shall maintain livability or mortality records. If forms are provided by the Contractor, such forms shall be used.
12. Other: