



June 25, 2008

The Honorable Edward T. Schafer
U.S. Secretary of Agriculture
1400 Independence Avenue, SW
Washington, DC 20250

Dear Mr. Secretary:

Thank you for your March 17 response to the Alliance's letter that reiterated our request for removal of penalties for early release of non-environmentally sensitive cropland from the Conservation Reserve Program (CRP). U.S. Department of Agriculture reports this month are further confirming that this year's basic crops are confronting enormous, unprecedented challenges, and an early-out CRP option is becoming more and more an urgent necessity.

Your decision of May 27 to allow haying and grazing on a portion of land enrolled in the CRP will provide livestock producers with some modest relief from escalating feed costs. While your decision was a positive step and AAGC supports your action, this option will not adequately alleviate the direct pressure on the livestock industry or the increased feed cost pressures on other segments of agriculture and food industries.

The organization and companies signing this letter believe that stronger measures must be taken very soon to ensure that grain and oilseed production more adequately meets the demand for food and feed. Some of the 1.2 million acres that have CRP contracts expiring this September will be put back into crop production. However, many times that acreage amount will be needed to begin to bring better balance for the supply/demand of grains and oilseeds.

An early-out, penalty-free release of non-environmentally sensitive CRP cropland would be a significant positive step to encourage increased supply which would allow producers to more fully benefit from strong market demand. Market incentives, as you noted in your previous letter, serve producers in making planting decisions. But, for farmers with significant acreage put aside in CRP, early opt-out penalties may override a producer's perception of the price incentives offered in a demand-driven marketplace.

In your previous letter, you reflected on the unlikelihood that an early release would have a significant impact on planted acreage. Delaying a decision until the August crop report will be too late to provide a timely option for many CRP contract-holders take the necessary investments in time and equipment to ready land for production for this fall and next spring.

The need for additional acres is reaching a peak as production levels shift and stocks remain low. The following points are noted:

Commodity Markets Council
1300 L Street, NW, Suite 1020
Washington, DC 20005
(202) 842-0400

National Chicken Council
1015 15th Street, NW Suite 930
Washington, DC 20005
(202) 296-2622



- For wheat, the Department expects global stocks to remain at historic lows, despite a projected increase in U.S. production. In addition, disease problems in portions of the U.S. wheat crop currently being harvested will reduce yields and quality.
- For corn, domestic production is expected to decline by 34 million metric tons to 298 million metric tons in 2008/09, even though biofuel demand for corn will increase over the same timeframe. This dynamic helps explain the Department's estimate that ending U.S. stocks for corn will fall approximately 50 percent.
- While production for soybeans will increase in 2008/09, USDA reports expect that a 14 million metric ton increase in production will only raise stock levels 1.3 million metric tons.
- Corn/wheat for feed usage are forecast to decrease by more than 12 percent for 2008/09. For animal agriculture to cut production by 12 percent will require severe economic hardship on these producers while further pressuring consumer food prices to move even higher.

Based on USDA estimates, corn, wheat, and soybean supplies will remain incredibly tight leaving no room for a poor harvest. Yet, we know production levels will be less than expected given the flooding in the Midwest. In Iowa, for example, some reports estimate that as much as 20 percent of the corn crop will be damaged.

U.S. consumers will not be insulated from this precarious supply and demand dilemma. Instead, they will pay significantly more for food. Since February, USDA raised its forecast for food inflation from 3.5 percent to 5 percent and many credible, independent analysts forecast the food inflation rate will approach double-digits.

AAGC looks forward to working with you to promptly provide an early-out, penalty-free option for non-environmentally sensitive CRP cropland. The undersigned organizations and companies believe that, given the current and foreseeable crop supply conditions, increased flexibility for CRP contracts will allow U.S. agriculture to better meet the unprecedented growth and demand for agricultural commodities. We urge timely action on this request.

Sincerely,

Ag Partners LLC
Agricultural Retailers Association
Agribusiness Association of Iowa
American Bakers Association
American Feed Industry Association
American Meat Institute
Arkansas Poultry Federation
Aviagen
Bartlett Grain Company L.P.
Brookneal Milling Co., Inc.
Bunge North America, Inc.
California Grain and Feed Association
Case Farms

Central Washington Grain Growers, Inc.
Cereal Food Processors, Inc.
CGB Enterprises Inc.
CHS Inc.
Cobb Vantress Inc.
Commodity Markets Council
Culpeper Farmers Cooperative
Dakota Mill & Grain, Inc.
DeBruce Grain, Inc.
Demeter LP
DFS, Inc.
Elkhart Grain
Exotic Wildlife Association



Falmouth Cooperative Co. Inc.
Farms Technology LLC
Fieldale Farms
Flowers Foods
Foster Farms
Gavilon LLC
Gavilon Grain LLC
George's Inc.
Georgia Poultry Federation
Grain and Feed Association of Illinois
Gold'n Plump Poultry
Grainland Cooperative
GrainStore Elevators
Hain Pure Protein Corporation
Hamilton Farm Bureau
Harrison Poultry
Independent Bakers Association
Independent Cattlemen's Assn. of Texas
Indiana BioFuels Alliance
Indiana Grain and Feed Association
Indiana Plant Food & Ag Chemicals Assn.
Jamesway Incubator Co. Inc
J.D. Heiskell & Company
Joyce Foods
Kansas City Board of Trade
Kansas Agribusiness Retailers Association
Kansas Association of Ethanol Processors
Kansas Grain and Feed Association
Kentucky Feed & Grain Association
Land O'Lakes Purina Feed
Laymac Inc.
Lortscher Agri Service
Louis Dreyfus Commodities
Maplehurst Farms
Marshall Durbin
Midsouth Grain Association
Michigan Agri-Business Association
Michigan Agricultural Commodities
Michigan Allied Poultry Industries
Michigan Bean Shippers Association
Minneapolis Grain Exchange
Minnesota Grain and Feed Association
Mississippi Poultry Association
Missouri Poultry Federation
Montana Agricultural Business Association
Montana Grain Elevator Association
Morris & Associates, Inc.

Mountaire Farms, Inc.
National Chicken Council
National Grain and Feed Association
National Oilseed Processors Association
National Pork Producers Council
National Poultry & Food Distributors Assn.
National Turkey Federation
Nebraska Grain and Feed Association
North American Export Grain Association
North American Millers' Association
North American Processor Inspection, Inc.
North Carolina Poultry Federation
North Dakota Agricultural Association
North Dakota Ethanol Producers
North Dakota Grain Dealers Association
Novus International, Inc.
O.K. Foods, Inc.
O.K. Industries, Inc.
Oklahoma Agribusiness Retailers Assn.
Oklahoma Grain and Feed Association
Oklahoma Poultry Federation
Pacific Northwest Grain & Feed Association
Park Farms
Pet Food Institute
Pilgrim's Pride
Poultry & Water Solubles
Rabo AgriFinance
Ritzville Warehouse Co.
Rockingham Mill
Rocky Mountain Agribusiness Association
RPMG Inc.
Safe Foods Corporation
Sara Lee Corporation
Simmons Prepared Foods, Pet Foods, and Metal Container
South Carolina Poultry Federation
South Dakota Grain and Feed Association
Stratford Grain Co.
Syracuse Cooperative Exchange
T.lowry, Inc.
Tate and Lyle Ingredients Americas Inc.
Team Marketing Alliance LLC
TEGMA
Tennessee Feed & Grain Association
Texas Grain and Feed Association
Texas Poultry
The Andersons, Inc.



The Fertilizer Institute
The Long Company
The Scoular Company
Townsend Inc.
Tyson Foods, Inc.
United Egg Association
United Egg Producers

U.S. Poultry & Egg Association.
Virginia State Feed Association
W.B. Johnston Grain Co.
Wenger Feeds
Weston Foods
Wisconsin Agri-Service Assn.
Zeeland Farm Services

cc: Charles F. Conner, Deputy Secretary
Dr. Mark E. Keenum, Under Secretary for Farm and Foreign Agricultural Services
Dr. Joseph W. Glauber, Chief Economist