

# Pressure Builds For USDA To Release CRP Acres, Limit Exports

No easy answers to food industries' price pressures



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They may not create the same kinds of headlines that farmers did when they drove their tractors to Washington, D.C. in 1979, but the American Bakers Association's (ABA) planned "march" on Washington is sure to generate attention.

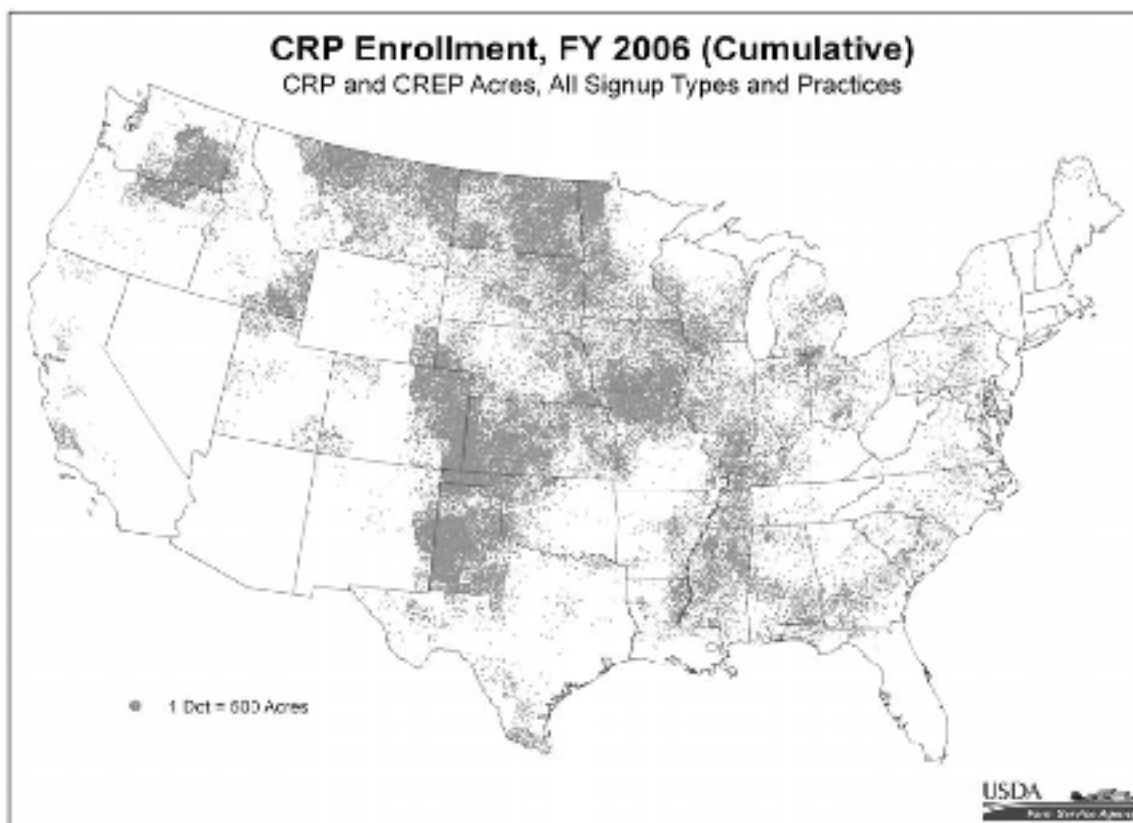
Unfortunately, not much of it will play well in farm country or with the "hook and bullet" crowd.

On March 12, ABA is arranging for the "Band of Bakers" to meet with newly confirmed Agriculture Secretary Ed Schafer and senior White House officials. In addition, ABA will be arrang-

ing sense," says Tracy, noting that the U.S. wheat industry has spent the years since the grain embargoes of the 1970s and 1980 trying to restore its reputation as a reliable supplier. "And, we finally think we've got that pretty well covered. In fact, this year we've really been using that as a marketing ploy because many of our competitors – Argentina, Ukraine, Russia – have imposed export restraints. It would be cutting off our nose to spite our face if we were to make a mistake and reverse that policy."

Even if U.S. wheat production rebounds this year, Tracy says, "We'll only see our carryout supplies next year rise a little bit. So prices will still be healthy...the buyers are just going to have live with it. Prices are not going to go back in the next 12 months to anywhere near where they were 12 months ago."

Map: Where the idled acres are



ing meetings with key Senators and Representatives so that bakers can stress the urgency of the current wheat situation, as well as ask Congress to realistically reassess what they describe as "the recent infatuation with ethanol production."

With wheat futures prices hitting all-time highs, the ABA wants USDA to restrict wheat exports and open up non-environmentally sensitive acres currently enrolled under the Conservation Reserve Program (CRP).

"We are demanding USDA approval of ABA's June 2007 request to allow an early-out of non-environmentally-sensitive acreage from the Conservation Reserve Program. We alerted USDA a year ago that wheat was going to be in short supply, and now three of the five wheat categories are extremely short," said ABA President and CEO Robb MacKie. "This is raising such serious domestic food security issues that ABA is requesting that USDA curtail wheat exports until bakers and other domestic users are guaranteed the supplies they need. Mackie pointed out that other countries are stockpiling their strategic grain reserves and argued the United States should do the same until USDA can ensure an adequate supply.

#### Let the market work

The U.S. Wheat Associates (USW) counters that the solution to bakers' supply challenge is the marketplace – not the halls of government. "Some buyers have been asleep at the switch," says USW President Alan Tracy. "We know of both domestic users and international users who are behind the eight ball and some who are very much on top of it and have their needs contracted forward. That's how the market works," Tracy adds. "If they don't take that option, and they need to cover themselves when supplies are short, they're going to have to scramble and do so at higher prices. That's what's happening now."

#### Regarding ABA's call for limiting wheat exports?

"We don't see any basis for USDA to do any export restraints and we see no inclination on their part to do so. It simply doesn't make any

USDA is forecasting 2008-09 U.S. wheat ending stocks at 538 million bushels, up from a 60-year-low 272 million in 2007-08.

#### Early out of CRP?

Despite repeated requests, USDA officials seem reluctant to provide CRP contract holders with an "early out" from their contracts. Even if they did, USDA's analysis indicates that the price impact would be minimal compared to the political fallout.

One of the key misunderstandings about allowing the release of CRP contracts is that lots of highly productive farmland would instantly become available and prices would drop dramatically. That's just not the case, says a high-ranking USDA official who agreed to speak on background.

If the last time participants were offered an "early out" of their contracts, in 1995-1996, is any indication, only 15 percent of those who were offered accepted the deal, explained our source. Even if that level of participation doubled, the price impact would be minimal.

In the case of wheat, prices might drop a dollar a bushel; for corn, prices might drop as little as dime, our source reports.

The majority of the land currently enrolled in the program now has a much higher environmental benefits index (EBI) associated with it, which means that millions of acres are either highly erodible, are protecting wetlands and wildlife or offer other environmental benefits.

"There are a lot of intangible benefits associated with the CRP that few people understand. Those acres are currently sequesters about 50 million metric tons of carbon dioxide. And for every four percent increase in CRP acreage, we see pheasant populations increase by over 20 percent.

"For every baker we might make happy, there are thousands of others we will make angry with any type of early release," added our source.

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Editor Sara Wyant publishes a weekly e-newsletter covering farm and rural policy called Agri-Pulse. For a four-week free trial, go to [www.Agri-Pulse.com](http://www.Agri-Pulse.com)