

October 23, 2007

The Honorable Tom Harkin
Chairman, Senate Committee on Agriculture, Forestry and Nutrition
328 Russell Senate Office Building
Washington, DC 20510-6200

The Honorable Saxby Chambliss
Ranking Member, Chairman, Senate Committee on Agriculture, Forestry and Nutrition
416 Russell Senate Office Building
Washington, DC 20510-6200

Dear Chairman Harkin and Ranking Member Chambliss,

In July, a group of farm, labor, consumer, religious, rural advocacy, environmental and international development groups sent a letter to Members of the House Committee on Agriculture asking that Congress consider the need to reinstate strategic grain reserves to stabilize volatile crop prices. Since that letter, the urgency of such grain reserves has become even more apparent with recent media across the country and the world highlighting the dire state of dwindling global stocks of critical commodities, including corn and wheat, as food prices continue to rise. The precarious state of global food reserves should force policymakers to acknowledge that having strategic grain reserves has become just as urgent and vital as the need for a Strategic Petroleum Reserve. Whether it's a corn farmer facing the uncertainty of this year's harvest, a venture capitalist investing in an ethanol plant, a family dairy farmer worrying about the price of feed, or a consumer wondering if food prices will ever stop rising, all of them have a stake in a stable, affordable supply of grains in the supply chains. Increased price volatility in crop, food and energy markets has placed our food system at unprecedented risk.

America needs public policy that helps stabilize commodity prices and availability. USDA is currently predicting the lowest level of world carryover stocks on record since 1947. We are one moderate drought or disaster away from possibly seeing \$10 per bushel corn prices that would destabilize our entire economy and we have no plan in place to address the possibility. The Senate needs to confront this critical issue, which was virtually ignored during the House farm bill debate. Just this month, Portuguese Farm Minister Jaime Silva, whose country currently chairs the European Union, called for the EU to consider the issue of strategic stocks. Leaving our fates to the whims of global markets and private grain traders is a recipe for disaster. Already, livestock groups such as the National Cattlemen's Beef Association and the National Chicken Council have called for the "urgent need for a safety valve in the event of a short corn crop" that is "triggered by an appropriate stocks or price indicator." However, their solutions—reducing the Renewable Fuel Standard or allowing Conservation Reserve Program acres to be put into production—are inadequate and designed to drive the price of corn back down again below the cost of production.

It is not too late for Congress to re-establish a system for the government and for farmers to hold reserves, as was previously done for decades until they were effectively abolished under the 1996 Freedom to Farm Act. A reserve not only benefits grain users and consumers, it could also reduce the need for expensive taxpayer subsidies. While the Congressional Budget Office is projecting higher commodity prices for the life of this Farm Bill, a similar projection made in 1996 led Congress to eliminate the farmer-owned reserve. When prices collapsed, Congress had to make millions in emergency payments to bail out farmers. Establishing a floor price in conjunction with emergency food, crop and strategic energy reserves would reduce the need for taxpayer subsidies while ensuring farmers a fair price. For the sake of our food and economic security, we believe the Senate needs to consider the issue of reserves and ensure price fairness to our farmers in the face of a volatile global marketplace.

Sincerely,

Agricultural Missions, Inc.
American Agriculture Movement
American Agriculture Movement of Arkansas
American Corn Growers Association
Campaign for Family Farms and the Environment
Caney Fork Headwaters Association
Cumberland Countians for Peace & Justice
Food & Water Watch
Grassroots International
Iowa Citizens for Community Improvement
Institute for Agriculture and Trade Policy
Kansas Farmers Union
Land Loss Prevention Project
Land Stewardship Project (Minnesota)
Missouri Rural Crisis Center
National Family Farm Coalition
Network for Environmental & Economic Responsibility
North American Farm Alliance
Pennsylvania Farmers Union
Rural Coalition/Coalicion Rural
Western Organization of Resource Councils
World Hunger Year

Cc: Members of the Senate Committee on Agriculture, Nutrition and Forestry