



United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

MAR 17 2008

Ms. Christine Cochran
Director
Commodity Markets Council
1300 L Street, N.W., Suite 1020
Washington, D.C. 20005

Dear Ms. Cochran:

Thank you for your letter of January 29, 2008, on behalf of the members of the Alliance for Agricultural Growth & Competitiveness, concerning management of the Conservation Reserve Program (CRP). In particular, you mention the need to allow early, penalty-free release of land from CRP contracts in this time of tight crop supplies and increasing food prices.

As you note, crop prices are high, reflecting strong demand and tight supplies for several commodities. Market prices are also providing incentives for increased acres in the upcoming planting season. Last year's huge increase in corn plantings demonstrated that market incentives are very effective in generating supply increases.

Your letter requests penalty-free release of CRP land into production to help alleviate supply concerns. The Department of Agriculture (USDA) is carefully and continuously monitoring the U.S. and worldwide short-term crop supply and demand and crop condition situations. However, USDA has decided not to allow penalty-free early release from the CRP for the 2008 crop year. At this point, we have not made any decisions for the 2009 crop.

Last year, over 2 million acres came out of the CRP and another 1 million acres are expected to exit the CRP this year. While some additional land enrolled in the CRP may be terminated from contracts as farmers look for additional acreage on which to plant, it is unlikely that an early release would have a significant impact on planted acreage. USDA analysis based on historical producer behavior, indicates that there would not be a large exodus from the CRP if an early, penalty-free release were allowed.

As you know, all enrolled CRP land is environmentally sensitive, consistent with the major changes of recent farm bills, which endorse the CRP and its voluntary approach to achieve environmental objectives. The CRP protects water supplies used by millions of citizens, restores

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wetlands, improves air quality, protects floodplains, sequesters carbon, and provides valuable wildlife habitat. As more lands are brought into production, CRP lands become even more important in addressing the environmental impacts of increased crop production.

Thank you again for your letter and for the opportunity to discuss the CRP and its importance to agriculture and the environment.

Sincerely,

A handwritten signature in blue ink, appearing to read "E. Schafer".

Edward T. Schafer
Secretary