



National Grain and Feed
Association



North American Export
Grain Association

1250 Eye Street, N.W., Suite 1003, Washington, D.C., 20005-3922
NGFA: (202) 289-0873 NAEGA: (202) 682-4030

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NGFA, NAEGA Urge that CRP be Downsized, Reformed

WASHINGTON – The nation’s two principal grain organizations this week urged that the Conservation Reserve Program (CRP) be significantly downsized and shifted away from enrollment of whole farms.

“There is compelling evidence that major changes in the CRP are needed,” said National Grain and Feed Association (NGFA) President Kendell W. Keith in presenting a joint statement by the NGFA and North American Export Grain Association (NAEGA) during the opening day of a symposium that focused on the future of the program. “While there are acknowledged benefits, there are facets of the program that create negative (economic) consequences and deserve serious reconsideration. Further, we need more acres in production to feed growing demand.”

Specifically, the NGFA and NAEGA urged that the 39.2-million-acre cap on the size of the CRP be revised downward, and that serious consideration be given to allowing an “early out” of some of the 16.1 million acres represented by CRP contracts scheduled to expire in 2007 and 6.1 million acres in 2008. Doing so would allow producers to capture opportunities from the current strong demand for grains and oilseeds, the NGFA and NAEGA said, while at the same time allowing those acres to be “feathered” into production, thereby easing the transition to a lower-sized CRP.

During the symposium, conducted on June 7-8 in Fort Collins, Colo., by the U.S. Department of Agriculture and U.S. Interior Department’s U.S. Geological Survey, the NGFA and NAEGA also recommended that:

- more CRP resources be directed to enrollments of shelterbelts, riparian waterways and partial fields to enhance soil conservation and water quality, the latter of which many believe is U.S. agriculture’s most pressing environmental need;
- USDA shift the program away from whole-farm enrollments that have brought acres into the CRP that are of questionable environmental benefit and have had devastating economic impacts on rural economies and towns. Keith said that fewer whole farms enrolled in the CRP also would lessen the economic pressures on farmer tenants – which now account for 70 percent of U.S. agricultural production – and allow them to have “more flexibility in correctly sizing their operations to be competitive with other farmers in the United States and in foreign countries.” The current structure of the CRP has artificially inflated land values by creating benefits that largely flow to land owners and retirees, rather than farm operators, thereby creating economic pressure on tenant farmers; and
- USDA reconsider the current CRP feature that allows 25 percent of tillable acres in a county to be enrolled. “Because of inaccurate data used to set the actual numerical cap in each county, and because CRP ground often becomes concentrated in certain sections of a county..., the effective cap is much higher than 25 percent in a number of counties,” Keith said. “And the impact on a local economy can sometimes far exceed 25 percent loss in agricultural output.”

The NGFA and NAEGA said the United States needs more acres in production, citing the growing demand for grain and oilseeds driven by global growth in demand for meat and poultry products; China’s economic expansion and decline in agricultural production; and governmental policies and crude-oil market values that have encouraged expanded ethanol production. “The potential for growth in U.S. and world markets is there, but the real question is whether the United States will have the resources to participate in that growth,” Keith said, noting tightening stocks of feed grains, soybeans and wheat. “Tight market rationing does not grow demand. It will restrict the United States’ ability to participate in demand growth and encourage our competitors to pick up the slack.”

The NGFA and NAEGA also challenged what they termed the “surprising conclusion” in a USDA Economic Research Service study that alleged that heavy enrollment in the CRP had not, on average, had a long-term negative impact on jobs, the local economy and local services, such as schools, hospitals and local government revenues. The NGFA noted that other studies had reached dramatically different conclusions.

The NGFA, established in 1896, consists of 1,000 grain, feed, processing, exporting and other grain-related companies that operate about 5,000 facilities that handle more than two-thirds of all U.S. grains and oilseeds. The NGFA’s membership encompasses all sectors of the industry, including country, terminal and export elevators; feed manufacturers; cash grain and feed merchants; end users of grain and grain products, including processors, flour millers, and livestock and poultry integrators; commodity futures brokers and commission merchants; and allied industries. The NGFA also consists of 35 affiliated state and regional grain and feed associations, as well as two international affiliated associations. The NGFA and NAEGA are co-located and have a joint operating and services agreement. The NGFA has a strategic alliance with the Grain Elevator and Processing Society and the Pet Food Institute.

NAEGA, established in 1912, is a not-for-profit trade association comprised of private and publicly owned companies and farmer-owned cooperatives involved in and providing services to the bulk grain and oilseed exporting industry. NAEGA member companies ship practically all of the bulk grains and oilseeds exported each year from the United States.

For Further Information, Contact:

NGFA: Randy Gordon, 202-289-0873; rgordon@ngfa.org

NAEGA: Gary C. Martin, 202-682-4030; gcmartin@naega.org