December 17, 2008

The Honorable Collin Peterson
Chairman
Committee on Agriculture
United States House of Representatives

The Honorable Bob Goodlatte
Ranking Republican Member
Committee on Agriculture
United States House of Representatives

The Honorable Tom Harkin
Chairman
Committee on Agriculture,
Nutrition and Forestry
United States Senate

The Honorable Saxby Chambliss
Ranking Member
Committee on Agriculture,
Nutrition and Forestry
United States Senate

Dear Chairman Harkin, Chairman Peterson, Senator Chambliss, and Representative Goodlatte:

The undersigned farm, commodity, and agricultural export organizations are writing you in support of a waiver or the elimination of the $5.5 billion statutory cap imposed in current law on USDA export credit guarantees. As you know, global demand and prices for agricultural commodities skyrocketed earlier this year, imposing particular hardship on middle income and other food-importing developing countries. Now the global credit crisis is posing an even greater challenge to the ability of middle income countries to make import purchases of essential food and fiber products.

Because credit has become perhaps the most crucial requirement for export sales to these countries, USDA's export credit guarantee program is experiencing a level of demand previously unseen in its 28 year history. As a case in point, when USDA made the first $3.5 billion tranche in FY09 export credit guarantees available on October 6, it received more than $8 billion in guarantee applications from exporters in 48 hours. USDA's export credit guarantee program performed brilliantly during Mexico's financial crisis of the mid-1990s, during the Asian Meltdown of the late '90s, and during numerous other country and regional crises over the years. It should come as no surprise, then, that the program is playing the same role – on a much larger scale -- during the current global financial crisis.

Unfortunately, the demand for credit guarantees far exceeds their availability. Furthermore, the lack of adequate credit for import purchases is contributing to the downward pressure on U.S. exports. On December 1, USDA cut its forecast for FY09 agricultural exports to $98.5 billion, down $14.5 billion from the August forecast and a full $17.0 billion below 2008's record sales level. As you know, the slowdown in exports comes at a time when crop prices are falling and the larger U.S. economy is in dire need of economic stimulus.

From the inception of the GSM program in 1980 until the Farm Bill deliberations of 2008, USDA's Commodity Credit Corporation was required to make available *at least* $5.5 billion in export credit loan guarantees each fiscal year. With the 2008 Farm Bill, the floor under program availability was converted into a ceiling. What could not have been foreseen during the Farm Bill deliberations were the credit and food security crises now facing numerous countries, or the steep decline in U.S. farm prices and exports. By waiving or eliminating the $5.5 billion cap, Congress can help to safeguard US jobs -- from farmers and ranchers to truck drivers, processing workers, and dock workers -- while helping to feed vulnerable populations around the world.

It is important to note that additional guarantees can be provided at little cost to the government and can utilize existing budget authority carried forward from prior years. The provision to utilize this carry-forward was wisely included in the 2007 Farm Bill, but its use in this critical circumstance is constrained by the overall $5.5 billion funding cap.

For all of these reasons we urge you to consider waiving or eliminating the $5.5 billion cap on USDA export credit guarantees as part of the stimulus package to be considered by Congress.

We look forward to working with you on this important issue.

Sincerely,

AMCOT
American Cotton Shippers Association
American Feed Industry Association
American Soybean Association
Farm Credit Council
National Association of Wheat Growers
National Corn Growers Association
National Cotton Council
National Council of Farmer Cooperatives
National Grain and Feed Association
National Oilseed Processors Association
National Sorghum Producers
North American Export Grain Association
North American Millers' Association
USA Poultry & Egg Export Council
USA Rice Federation
US Meat Export Federation
US Rice Producers Association
US Wheat Associates, Inc.

Identical letter sent to Chair and Ranking Member of the House and Senate Agriculture Appropriations subcommittees with cc to all subcommittee members

cc: Members of the House and Senate Agriculture committees

Commodity Credit Corporation Export Credit Guarantees

Amendment

"Notwithstanding any limitation in 7 U.S.C.5641(b(1)), the Commodity Credit Corporation may make available additional short-term credit guarantees under 7 U.S.C. 5622(a) during fiscal years 2009 through 2011 up to the amounts that can be made available using unobligated budget authority for prior fiscal years."

Explanation

The global credit crisis is threatening the ability of middle income countries to purchase affordable agricultural commodities on reasonable credit terms. As a result, USDA's export credit guarantee program is experiencing unprecedented demand. To alleviate the crisis, credit guarantees are needed above the $5.5 billion funding cap in current law. This provision allows the Commodity Credit Corporation to use already available program budget authority carried forward from prior years to make available additional export credit guarantees.

(A preliminary score from the Congressional Budget Office indicates that this provision will cost only $3 million.)

December 17, 2008

The Honorable Rosa DeLauro
Chairman
Subcommittee on Agriculture,
Rural Development, Food and Drug
Administration, and Related Agencies
United States House of Representatives

The Honorable Jack Kingston
Ranking Republican Member
Subcommittee on Agriculture,
Rural Development, Food and Drug
Administration, and Related Agencies
United States House of Representatives

The Honorable Herb Kohl
Chairman
Subcommittee on Agriculture,
Rural Development, Food and Drug
Administration, and Related Agencies
United States Senate

The Honorable Robert Bennett
Ranking Republican Member
Subcommittee on Agriculture,
Rural Development, Food and Drug
Administration, and Related Agencies
United States Senate

Dear Chairman DeLauro, Chairman Kohl, Senator Kingston, and Representative Bennett:

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Identical letter sent to Chair and Ranking Member of the House and Senate Agriculture Committees with cc to all committee members

cc: Members of the House and Senate Agriculture Appropriations subcommittees

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