



March 18, 2008

The Honorable Tom Harkin, Chairman
Senate Agriculture Committee
United States Senate
328A Russell Senate Office Building
Washington, D.C. 20510

The Honorable Saxby Chambliss, Ranking Member
Senate Agriculture Committee
United States Senate
416 Russell Senate Office Building
Washington, D.C. 20510

Dear Chairman Harkin and Ranking Member Chambliss:

Over the past several weeks I have been contacted by a number of farmers expressing concerns about pricing their new crops. Because of the volatility of the commodity markets, local elevators and other buyers of commodities are faced with expensive margin calls and are running up against lending limits for their business. As a result, these entities are backing away from offering producers critical forward marketing tools such as hedge to arrive contracts.

This is troubling as farmers must market their commodities in order to ensure they have the revenue necessary to pay for the skyrocketing input costs to plant a crop. While the media is focused on the higher commodity prices, there is very little mentioned about the high input costs, as a result of increased oil prices. Fertilizer, pesticides, transportation, diesel fuel and land rents have increased more than any time in modern history. Without the ability to protect their farming operations with higher prices, producers are in a position of committing to high inputs, with no assurance of receiving higher prices. With pressure from high input costs, the uncertainty of weather conditions and the risk of natural disaster, farmers are faced with a high risk, high reward dilemma.

Higher, and in some cases, record commodity prices is a welcome reprieve from years of depressed prices. However, with the increased prices comes a level of uncertainty, as it is not what you gross from your crop -- it is what you net after paying for the inputs.

A solution to this challenge is not apparent, but it does warrant attention. Everyone has a vested interest in a successful resolution of this problem -- the farmer, local elevator, processor, lenders, and consumers. I urge your attention to this matter that not only impacts U.S. producers, but consumers around the world.

Sincerely,

A handwritten signature in black ink that reads "Tom Buis". The signature is fluid and cursive, with a long, sweeping underline that extends across the width of the name.

Tom Buis, President
National Farmers Union

cc: Senate Agriculture Committee Members