

Study Reveals Cap and Trade Legislation Impact on U.S. Farm Economy

Since the introduction of the Lieberman-Warner “America’s Climate Security Act,” The Fertilizer Institute (TFI) has been communicating with representatives from Congress and the agriculture community to emphasize the negative impact a cap and trade climate change bill would have on the U.S. farm economy. Any such legislation would encourage fuel switching and drive up the cost of energy supplies.

In order to better protect world and U.S. food security, the fertilizer industry and its farmer customers, TFI commissioned a study by Doane Advisory Services, which demonstrates the potential impact of cap and trade legislation on the production of eight U.S. crops due to rising energy prices if the legislation is voted into law. The study shows that a cap and trade bill would add \$6 to \$12 billion to total crop production costs, leading to a significant decline in farm income.

“Despite having experienced the largest operating price increases in history during the last seven years, farmers may be in for a surprise when they learn of the impact this legislation would have on their bottom lines,” said TFI President Ford B. West. “While some growers may have an opportunity to receive payments for sequestering carbon if they use specific farming practices, the costs of this legislation appear to far outweigh any potential benefits.”

TFI shared the results of the Doane study with agricultural community leaders prior to Senate debate on Lieberman-Warner. “We commend TFI for undertaking this important study on climate change, which could not come at a more critical time with the pending Lieberman-Warner bill in Congress,” said American Farm Bureau Federation President Bob Stallman. “This study is very helpful to Farm Bureau in assessing the impacts of the

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BOB STALLMAN | PRESIDENT, AMERICAN FARM BUREAU FEDERATION

Lieberman-Warner legislation on our producers.”

The Doane study indicates that cap and trade will further exacerbate the problem of rising production costs for U.S. farmers. Due to increasing energy prices, operating costs for corn are forecast to rise by an additional \$60.14 per acre by 2020. Potential climate change legislation will add up to \$78.80 in operating costs per acre of corn, resulting in a total increase of well over \$100 per acre by 2020. As a share of total production costs, results for the other crops considered are equally significant.

“The better something than nothing attitude that seems to have ruled the climate change debate up until now, needs to be replaced by a measured look at solutions that do not threaten

such a vital sector of the economy,” said West. “Particularly, as the world experiences a food crisis, it is important that steps to control climate change do not penalize farmers in the world’s most efficient food production system.”

You can access a copy of the Doane study, as well as an executive summary, by visiting TFI’s Web site at www.tfi.org. TFI will host congressional staff briefings in the House and Senate, respectively in Longworth 1300 on July 8 and in Russell 328 A on July 11, to share highlights from the Doane study.

For more information, please contact TFI Vice President of Government Relations Katherine English by telephone at (202) 515-2719 or via e-mail at kenglish@tfi.org.

TFI DISCUSSES U.S. ENERGY POLICY WITH HOUSE

On June 18, The Fertilizer Institute (TFI) President Ford B. West participated in a House Natural Resources Committee roundtable chaired by Rep. Steve Pearce (R-N.M.) on U.S. energy policy. During his testimony, West explained the impact that increased energy prices are having on the fertilizer industry, most specifically the challenges the industry is facing as a result of increased natural gas prices, stating that “Congress must recognize that the current U.S. natural gas supply/demand balance is an artificial one, created by public policy. The demand for natural gas to produce electricity increased dramatically after the passage of the Clean Air Act Amendments

in 1990 and is growing with new efforts to reduce green house gas emissions. On the supply side, Congress has limited the ability to drill for natural gas in areas where there are significant known supplies.”

West urged members to expand the area in the Outer Continental Shelf where drilling could occur. “Any increase in the U.S. supply of natural gas will help to keep the remaining nitrogen plants in the United States operating and help to ensure a domestic source of nitrogen remains available to our nation’s farmers.”