How Should The U.S. Tackle Climate Change Concerns?

The Path Forward Is Anything But Clear

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Most political pundits will tell you that it is no longer a question of "if" we will get some type of climate change legislation approved next year, but when. An even more interesting question is: what will it look like? If a bill with such far-reaching implications can actually get approved in a year divisible by two, it will likely look much different than current versions.

For now, the shape of climate change legislation is anyone's guess. Some conservative Democrats, like Senators Ben Nelson (D-NE) and Blanche Lincoln (D-AR), would probably be happy with an energy bill that focused on building renewable sources and conserving energy, minus any of the cap and trade language. But the cap and trade "train" has already left the station.

The House passed the Waxman-Markey cap and trade legislation, H.R. 2454, earlier this summer. And in the Senate, Environment and Public Works Chairman Barbara Boxer (D-CA) worked with Massachusetts Democrat John Kerry to get the "Boxer/Kerry" bill out of her Committee on a straight party-line vote. But both the Agriculture and Finance Committees have yet to act, and they are unlikely to bless Boxer's bill. Even Sen. Kerry, who worked with Boxer to get her bill out of committee, is now working on an alternative with Senators Joe Lieberman (I-CT) and Lindsey Graham (R-SC). Thus far, none of the alternatives has the 60 votes needed for passage.

Meanwhile, as leaders gather in Copenhagen to plot a global climate change strategy, the White House and cabinet secretaries are busy trying to convince the rest of the world that the U.S. is doing plenty on the legislative and regulatory front, with plans to do a lot more.

The risk of inaction

Agriculture Secretary Tom Vilsack has been busy talking about the need to take action and the risks of failing to do so.

"Climate change poses significant threats and challenges for farmers, ranchers, and those who make a living off the land, which will have a serious impact on our ability to feed the people of the United States and the world," emphasized Vilsack, with an updated release of a year-old report, "The Effects of Climate Change on U.S. Ecosystems".

The report concludes that climate change is already affecting U.S. agriculture, land resources, water resources, and biodiversity, and will continue to do so. The report identifies the effects climate is having and is expected to have, including:

• Grain and oilseed crops will mature more rapidly, but increasing temperatures will heighten the risk of crop failures, particularly where precipitation decreases or becomes more variable.

• Marketable yield of horticultural crops (such as tomato, onion, and fruit) are more vulnerable to climate change than grains and oilseed crops due to the high sensitivity of their quality and appearance to climate factors.

• Livestock mortality will decrease with warmer winters but this will be more than offset by greater mortality in hotter summers. Hotter temperatures will also result in reduced productivity of livestock and dairy animals, due to changes in consumption and lower pregnancy rates.

• Weeds that can thwart agriculture production grow more rapidly under elevated atmospheric CO_2, extend their range northward, and are less sensitive to herbicide applications.

Another view

Some senators are taking a closer look at USDA's own data, which shows that a cap and trade approach to climate change could also threaten our ability to feed a growing U.S. and world population. USDA Chief Economist Joe Glauber presented the data as part of USDA's economic analysis on the Waxman-Markey Cap and Trade bill, H.R. 2454. While noting that there is a lot of uncertainty in any analysis that projects out to 2050, Glauber emphasized that there would likely be very modest impacts from higher energy prices during the first 10-15 years under cap and trade legislation. However, depending on how offsets are structured and how carbon is priced, USDA's projections on the offset portions of the bill raised new eyebrows about how U.S. agriculture can continue to be a global powerhouse when it comes to food production, especially of energy intensive crops like fruits and vegetables.

U.S. Senators Saxby Chambliss (R-GA) and Mike Johanns (R-NE.) said Glauber's testimony confirmed initial concerns raised in July when Agriculture Secretary Tom Vilsack first testified in front of the Senate Agriculture Committee on H.R. 2454. At that time, Vilsack pointed to the historical ability of U.S. farmers to adapt and embrace new technologies, capturing new revenue streams in the process. During a recent press conference, Vilsack stayed that course, emphasizing that agriculture will be a net winner under cap and trade legislation, generating "between 10 and $20 billion in additional revenue."

Indeed, many farm gate prices will increase under USDA's projections, but a closer look at the numbers reveals why: As landowners respond to higher and higher carbon offset prices by planting trees, fewer acres are left in pasture and cropland. Potentially, 59 million acres will be taken out of food production as landowners embrace carbon markets. The result is higher crop prices, liquidation in the livestock sector and ultimately, higher food prices.

The beef sector will see a 10 percent decline, while the hog and dairy sector will see reductions of 23 percent and 17 percent respectively. The food consumer price index (Food CPI) is projected to increase by nearly 5 percent above the rate of inflation by 2050, potentially requiring billions more to fund USDA's Food and Nutrition programs.

"Based on USDA's own analysis, cap and trade will not benefit U.S. agriculture," said Sen. Chambliss, Ranking Republican Member of the Senate Agriculture Committee. "I do not know how anyone can come to any other conclusion. Our farmers and ranchers need to be producing more food, fiber and fuel in the future, not less. The current cap and trade plan will only push our agriculture production overseas, just as it does manufacturing jobs."

"This is not a vision for American agriculture, it's a death sentence," said Sen. Johanns. The USDA data states that the U.S. will reduce exports by one billion bushels of corn, almost 430 million bushels of soybeans and two million bales of cotton. That is approximately 50 percent of current corn exports, 30 percent of current soybean exports and 20 percent of cotton exports.

Even though the impact on ag exports was not included in Glauber's testimony, congressional sources used the USDA numbers to calculate the potential impacts from higher commodity prices on exports. Higher prices bring reduced levels of production, and exports drop for all major commodities. Corn exports drop 980 million bushels, soybeans 428 million bushels, wheat 88 million bushels, cotton 2.2 million bales and rice 156 million cwt. In 2008, corn exports totaled 2.3 billion bushels, soybeans totaled 1.3 billion bushels and wheat 1.1 billion bushels. Cotton exports were 13 million bales and rice exports 82 million cwt. (See chart on page 3.) Δ

SARA WYANT: Publisher weekly e-newsletter, Agri Pulse.

Forest and Agriculture Sector Optimization Model

Exports (millions), Change from FASOM Baseline			
	2030	2040	2050
Corn (bu)	-519	-639	-980
Soybeans (bu)	-248	-354	-428
Wheat (bu)	-1	-46	-88
Cotton (bales)	-0.3	-0.9	-2.2
Rice (cwt)	-84	-124	-156