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# New study sees winners and losers from climate change bill

**By Jon H. Harsch**



As the Senate Agriculture Committee prepares for a Sept. 9th hearing on "Global Warming Legislation: Carbon Markets and Producer Groups," the committee's Ranking Republican, Sen. Saxby Chambliss (R-GA), stated his own views Thursday. Commenting on a Texas A&M University report, Chambliss said the report confirms his belief that the House-passed Waxman-Markey climate change bill "will undoubtedly raise production costs for farmers and ranchers."

"Clearly the data outlined in the Texas A&M University study is troubling," said Sen. Chambliss. "I have said before this bill, particularly the cap and trade program, will undoubtedly raise production costs for farmers and ranchers." Although the report itself does not include any direct reference to land being taken out of production, Chambliss is clearly concerned about the underlying assumptions which indicate that large acreage shifts could occur.

"Perhaps most troubling is that the Waxman-Markey bill will result in more than 7 million acres shifting out of production in the first 5 years, with nearly 50 million acres by 2050. It does not make sense to rush action on a policy of this scope when we are now just beginning to understand the tremendous costs associated with the bill."

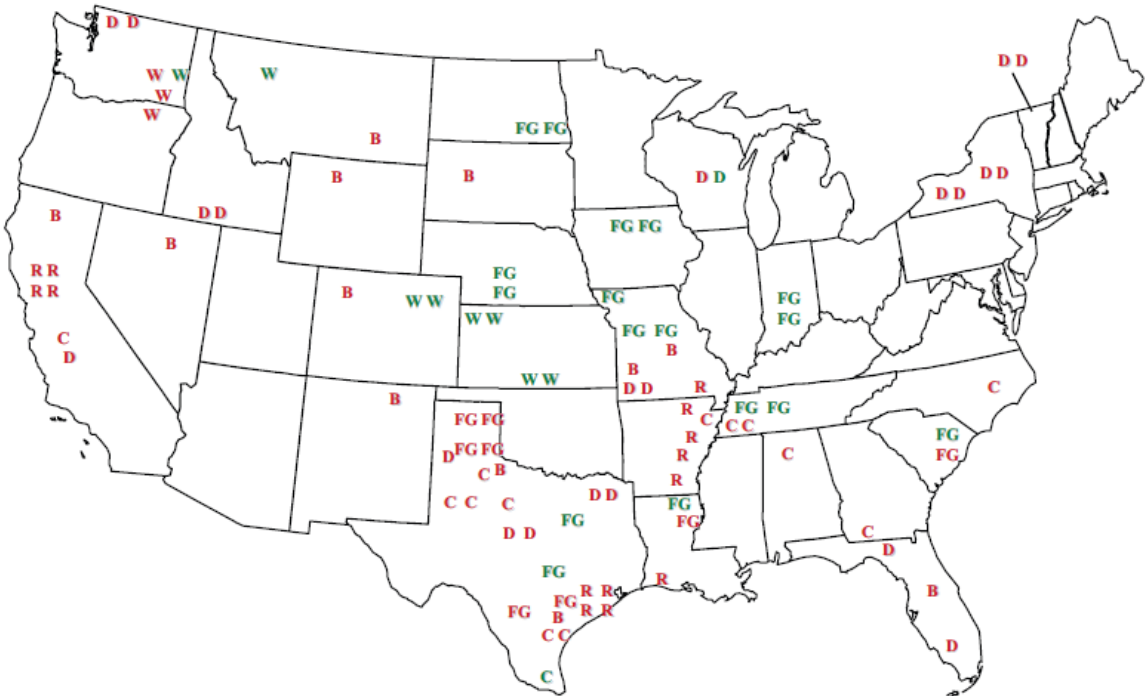
The report, which was conducted in response to a request from Chambliss, concludes that generally feedgrain/oilseed farms located in or near the Corn Belt and wheat farms located in the Great Plains will benefit. In contrast, the report sees rice farms and cattle ranches losing under cap and trade since they are "assumed to not participate in carbon sequestration activities so they experience higher costs, without carbon revenue and their commodity prices do not increase enough to offset higher costs." The report does not consider various alternative income sources that USDA may offer such as more targeted conservation programs focused on farmers and ranchers unable to participate in carbon sequestration markets.

The "Economic Implications of the EPA Analysis of the CAP and Trade Provisions of H.R. 2454 for U.S. Representative Farms" report from the Agricultural and Food Policy Center (AFPC) at Texas A&M University analyzes possible impacts on 98 farms

representing different farm sizes and crops from coast to coast. The report offers this mixed summary of possible effects in 2016 of a cap and trade (C&T) bill passed in 2010:

- "Average Ending Cash Reserves in 2016 - Ending cash reserves in 2016 is the cumulative effect of average annual net cash farm income with the additional impacts of principal payments on loans, income taxes, and family living expenses. As revenues and costs change, income taxes and principal payments on loans will differ. AFPC has chosen this measure to highlight some of the farm level results. As indicated in Table 10, most (17 of 25) of the feedgrain farms have higher average ending cash reserves under either of the C&T without Ag Carbon Credits or C&T with Ag Carbon Credits scenarios. In addition, all but a few of the feedgrain/oilseed farms end the analysis period with higher cash reserves even under the saturation scenario. Eight of 11 wheat farms are better off under the C&T with Ag Carbon Credits scenario relative to the Baseline, while one cotton and no rice farms or cattle ranches are better off. One dairy (WID145) is better off because it produces and sells excess corn and soybeans which are projected to see much higher prices as a result of cap and trade. . . Clearly it is easy to see that in general, the only real winners assuming EPA's analysis of cap and trade would be feedgrain/oilseed and plains wheat farms."

**Representative Farms, Dairies, and Ranches Analyzed Under the C&T with Ag Carbon Credits Scenario Showing Higher and Lower Ending Cash in 2016.**



**Farms, dairies, and ranches are classified as "green" if their ending cash in 2016 is higher under the C&T with Ag Carbon Credits scenario compared to the Baseline. Similarly, those classified as "red" had lower ending cash in 2016 under the alternative versus the Baseline. Legend: FG: Feedgrain D: Dairy W: Wheat B: Beef Cattle C: Cotton R: Rice Source: Texas A&M University report from the Agricultural and Food Policy Center**

- "In general, the feedgrain/oilseed farms located in or near the Corn Belt and wheat farms located in the Great Plains, have higher average annual net cash farm income under the three cap and trade alternatives. Most cotton and dairy farms and all of the rice farms and ranches will likely experience lower net cash farm incomes under the cap and trade alternatives. The rice farms and cattle ranches,

are assumed to not participate in carbon sequestration activities so they experience higher costs, without carbon revenue and their commodity prices do not increase enough to offset higher costs."

- "Most of the feedgrain and plains wheat farms have higher average ending cash reserves under either of the C&T without Ag Carbon Credits or C&T with Ag Carbon Credits scenarios. In addition, all but a few of the feedgrain/oilseed farms end the analysis period with higher cash reserves even under the saturation scenario. Eight wheat farms are better off under the C&T with Ag Carbon Credits scenario, while one cotton and no rice farms or cattle ranches are better off. One dairy (WID145) is better off because it produces and sells surplus corn and soybeans which are projected to see higher prices as a result of cap and trade."
- "The average level of carbon prices necessary for the farms to be as well off as under the Baseline were estimated for farms who would be worse off under the C&T with Ag Carbon Credits scenario. Given the assumptions in this study, for some farms such as rice and the cattle ranches, no level of carbon prices would make them as well off as the Baseline. While a few farms would be as well off as the Baseline with only slightly higher carbon prices each year, there are also several farms that would need carbon prices of $80 per ton per year or more to make them as well off as the Baseline."

To read the 51-page "Economic Implications of the EPA Analysis of the CAP and Trade Provisions of H.R. 2454 for U.S. Representative Farms" report from the Agricultural and Food Policy Center (AFPC) at Texas A&M University, go to:
http://www.afpc.tamu.edu/pubs/2/526/rr%2009-2%20paper%20-%20for%20web.pdf

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