



House Ag members hear good & bad views on climate change

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Washington, Dec. 03 – In the second of two days of House Agriculture Subcommittee hearings on the potential costs and benefits of proposed climate change legislation, USDA Chief Economist Joseph Glauber highlighted potential benefits: “From 2015 to 2050, the total amount of offsets that would be supplied by the agricultural sector increases from 59 million metric tons of carbon equivalent per year to over 420 million tons. With allowance prices increasing over time, the real gross revenues resulting from agricultural offsets increases from about \$800 million per year in 2015 to almost \$30 billion per year by 2050.”

Conservation, Credit, Energy, and Research Subcommittee Chair Tim Holden (D-PA) opened the hearing on “the costs and benefits of agriculture offsets” by saying the previous day of testimony from Dr. Glauber and university experts made it clear that “both action and inaction come with a price tag.” He said that with so much uncertainty about the potential threats posed by climate change and about possible legislative remedies, “We all agree that there is much more work to be done.” Glauber agreed, answering many of the subcommittee’s questions by explaining that the models used to forecast potential costs and benefits include many variables and uncertainties. He added that to generate more reliable forecasts, USDA is working with university researchers on several projects which should provide more precise answers broken down by commodity, management practices, and region.

Subcommittee Ranking Member Bob Goodlatte (R-VA) wasn’t at all uncertain. In a repeat performance from the day before, he charged that the proposed cap-and-trade climate bill would create “a cap-and-tax program that will drive up energy and input costs for our farmers and ranchers and drive down farm income, ultimately putting many producers out of business.”

Goodlatte warned that “While every commodity will be hit with increased costs, only select producers will be able to take advantage of revenue-raising offset projects. Meanwhile entire regions of the country will be ignored and placed at an economic disadvantage.” He added that “Secretary Vilsack has often claimed that an offset program will be a major source of revenue for farmers but has yet to produce evidence to back this claim except for the example of a producer who stops farming and converts cropland to trees.” He said that converting a potential 60 million acres to forests “would be

devastating to agriculture and to rural America.” With farm income down sharply this year, he concluded that “This is no time to further cripple our farm economy with a burdensome cap-and-tax policy.”

Agricultural Economics Professor Dr. Bruce McCarl of Texas A&M University voiced a different warning: “agriculture is fairly vulnerable to climate change.” He pointed out that “There’s some productivity effects of shifts in climate where for example we’ve seen lower crop yields in some areas, increases in variability, diminished range carrying capacity and slowing in rates of technological progress and rates of return to our research . . . We’ve passed the point where the European Community thought we should be in terms of atmospheric concentrations to avoid dangerous climate change.” He concluded that a cap-and-trade program would boost farm income and that “In general, I think the gains exceed the costs.”

When Goodlatte raised the concern that cap and trade would change the structure of the agricultural sector, creating winners and losers, he unleashed a series of very definite answers from the hearing’s panel of agricultural economists.

Dr. Brian Murray, Director for Economic Analysis at Duke University’s Nicholas Institute for Environmental Policy Solutions, responded that “In some ways, it doesn’t work unless the change is substantial, unless the change on the landscape is done in such a way to reduce greenhouse gas impacts.” He said if shifting cropland to forestry results in “achieving the climate goal more cost effectively, then that’s probably a transformation worth making.”

Texas A&M’s Dr. McCarl said “I see that without the offset program, by mid-century corn prices will be down to a dollar and a half. With the offset program, they’ll be about three dollars. I think there is very substantial technological change in the structure of the agricultural sector that is going to happen whether or not we do offsets. I think the offsets might make for a bit wealthier agricultural sector and perhaps keep more people and resources in rural areas and agriculture than would happen otherwise.”

Ohio State University Professor Dr. Brent Sohngren commented that “There will be massive structural change, but I think Bruce McCarl said it right. It will involve the net transfer of wealth into the landholding sector in this country, so that would be the effect of a cap-and-trade system. It would probably be a benefit, a large benefit, whether it comes through some renewable fuels standards that push biofuels or whether it comes through a cap-and-trade system that pushes carbon sequestration on the landscape, land becomes more valuable so people who own land gain quite substantially from the cap-and-trade system.”

For our news report on the subcommittee’s Dec. 2nd climate impact hearing, go to: www.agri-pulse.com/uploaded/20091202SW1.pdf.

To read the testimony presented in the two days of the climate impact hearings Dec. 2nd and Dec. 3rd, go to: <http://agriculture.house.gov/hearings/statements.html>.

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