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**Review Compares Findings and Implications of Economic Studies
on Effects of Clean Energy Legislation on Agriculture Sector**
—*Kansas State University Team Conducts Analysis of Six Key Economic Studies for AFT*

Washington, D.C. —To help address the confusion over the economic implications of climate policies on U.S. agriculture, a team of seven Kansas State University (KSU) researchers completed an analysis and comparison of six key economic studies that looked at the effects of the Clean Energy and Security Act of 2009 (H.R. 2454—also known as the Waxman-Markey bill) on the agriculture sector. Reviewing all the significant studies as of December 1, 2009, the KSU team sought to identify common findings as well as compare various assumptions and methodologies. American Farmland Trust (AFT) sponsored the research to advance understanding of the economic implications for U.S. agriculture as Congress considers legislation to address the impact of carbon emissions on the environment.

“Overall, the research suggests U.S. agriculture has more to gain than lose with the passage of H.R. 2454,” says Dr. Bill Golden, Dept. of Agricultural Economics at KSU and the team’s leader. “The bill specifically exempts production agriculture from emissions caps, provides provisions to ease the transition to higher fertilizer prices, and, fosters the development of carbon offset markets which will likely enhance agricultural revenues.”

“H.R. 2454 will encourage the continued development of carbon credits for the offset market and low carbon renewable energy to satisfy the renewable energy standard (RES). At the present time it is not completely clear how renewable energy legislation and climate offset markets will function together. The viability of these markets will depend upon the policies that regulate/foster/develop/cause such carbon trading to occur and how they complement or conflict with future renewable fuels policies. What is clear is that these markets have the potential to provide significant financial benefits to agricultural producers,” concludes Golden.

Among the key findings of the KSU Analysis:

- In the short-run, per-acre profitability for both crop and livestock producers may decline, but for the most part, the research across multiple studies suggests the declines in the short run will be modest; with changes in production costs ranging from 0.3% - 6.4% by 2025. (Table 4)
- If other countries adopt similar legislation, in the long run, the market for agricultural commodities will adjust and return producers’ profits to pre-H.R. 2454 levels.
- The economic impacts will vary regionally, and by crop and livestock sub-sector. The impacts depend on cultural and management practices and the farm-specific ability to sequester carbon and receive offset income.
- H.R. 2454 establishes a Renewable Energy Standard (RES) that mandates a portion of all U.S. electricity be produced from low carbon renewable energy sources. As the market expands, financial benefits will accrue to the agricultural sector.
- “While changes in costs and revenues are important economic metrics, we believe that the change in net income from crop and livestock production is the best metric for assessing the impact of H.R. 2454 on

agriculture. We also believe that evaluating a worst-case scenario, where agricultural offset markets do not exist, to be highly informative.”

- The studies make different assumptions about key variables, such as what agricultural offsets are included (Table 4), that can have significant impact on the results.

A copy of the KSU Study is available on American Farmland Trust’s website at <http://www.farmland.org/reports>, or through KSU at: <http://www.agmanager.info/> for downloading.

Due to the timing of the study, it did not cover the new testimony presented before the House Agriculture Committee just last week. AFT expects to conduct another summary analysis to compare and contrast all the studies to better understand the projected impacts and the sensitivities of the results to key assumptions.

“As the KSU team concluded,” adds Daukas, “the impacts on agriculture of climate legislation depend in large part on what policies are included. Much of the analysis to date, including the recent USDA testimony before the House Agriculture Committee, does not factor in significant policy elements included in the “Peterson amendment” as passed by the House nor any of those proposed in the Baucus-Stabenow amendment (CEPA) to the Senate package. We expect this to have a significant impact on the implications for farmers and ranchers.”

For instance, the [testimony presented by USDA Chief Economist Joe Glauber](#) did not include offset categories as they exist in the House-passed legislation, excluding important categories of offsets such as improvements in soil management and tillage practices, advancements in nutrient management, alternative manure-management systems, the full potential of dairy digesters, and more. This can have major implications on economic returns, shifts in acreage between crops and forestry, and commodity prices. While the USDA analysis concluded significant shifts in acreage out of row crops, the University of Tennessee study did not.

“It’s often confusing to keep up with the status of legislation and multiple economic studies,” adds Daukas. “That is why we believe it is so important to have a well respected, third-party like the team at KSU, review all the studies and help every one understand common and contrasting findings as well as differences in assumptions and policies. Then we can better understand costs and opportunities, and debate policy options.”

“Farmers and ranchers have a great deal at stake,” Daukas continues. “While agriculture can play an important role in helping reduce and mitigate GHG, if no Clean Energy bill is passed, the EPA is mandated by the Supreme Court to enact regulations under the Clean Air Act which will affect agriculture. The Environmental Protection Agency’s announcement of an endangerment finding confirming GHG as pollutants dangerous to human health and welfare that should be regulated under is another signal that a regulatory approach is real. Regulations without opportunities will only bring costs to producers. Agriculture needs USDA and others to analyze the effects of a regulatory-only alternative to better understand the potential economic impact.”

Daukas also points out that the impacts of climate change—changes in weather, some extreme and volatile—on agriculture are projected to be significant.

“AFT looks forward to continuing to work with agriculture groups and policy makers to develop policy options that maximize the reduction and mitigation of GHG emissions by maximizing economic opportunities for farmers and ranchers to sequester carbon, reduce GHG emissions, and produce low carbon, renewable energy,” says Daukas.