



Climate Change & Agriculture
AFBF Policy Development
May 2008

Issue: Climate change is a hot-button environmental issue at the federal and state levels. Congress has made this issue a priority, and it will likely be a priority for a new Administration. Because agriculture & forestry can be greenhouse gas (GHG) emitters and mitigators, this poses both challenges and opportunities for Farm Bureau's membership.

Background: GHG emissions from human activities are blamed for an increase in average global temperatures and changes in climate. Agricultural GHGs include carbon dioxide, nitrous oxide and methane. There is little consensus on the exact impact of these activities.

According to the Environment Protect Agency agriculture contributes 7 percent of U.S. GHG emissions. Ag practices that can cause GHGs include: conventional tillage, fertilizer and pesticide application (nitrous oxide and carbon dioxide), ruminant digestion and manure management (methane and CO₂), field burning and rice cultivation. However, conservation tillage, crop and grassland retirements, tree plantings, biofuels, and methane management (i.e. digesters and lagoon covers) can reduce GHGs. Two primary scenarios are being considered to control greenhouse gas emissions.

Carbon Tax

A carbon tax that would levy fees on products contributing to large GHG emissions (i.e. gasoline) and require consumers to pay for the carbon emitted. The proceeds would go to research/ development, and compensation to mitigators/adversely affected parties. Advantages: 1) encourage consumers to more efficiently use consumer products containing carbon, 2) reductions would be achieved more quickly and efficiently, and 3) government ensures that public research is conducted. Primary disadvantage: consumers pay the tax, whether or not the level is appropriate. Little political support exists for a carbon tax.

Cap and Trade

Politically popular is a market-oriented cap-and-trade system where government would place a limit on the amount of emissions that regulated entities (i.e. power plants) could emit. Entities, including agriculture, exceeding set levels could purchase offsetting credits from agricultural producers or other GHG-reducing sources until they can meet reduction levels through technology adaptation. Advantages: 1) markets determine carbon prices rather than government, 2) agricultural and forestry producers could financially benefit by providing offsets, and 3) private industry research programs would develop more rapidly than government-led programs.

Farmers are directly contributing to GHG reductions through the use of various production practices – such as no-till systems – that sequester carbon in the soil. Many farmers are currently trading carbon credits on the voluntary Chicago Climate Exchange, and Iowa Farm Bureau played a key role in developing this agricultural carbon market. Forestry can also participate in carbon capture through tree planting programs. At the same time, livestock and poultry are looking for innovative ways to handle waste through digester and lagoon technology.

Under either scenario (tax or cap-and-trade), agricultural producers *will* feel the pinch. Prices will increase for important agricultural inputs – fuel, fertilizers, manufactured products, and electricity. Many farmers fear tillage practices could be mandated and livestock methane management regulated.

Climate Change & Agriculture (Continued)

While regulating GHG emissions could potentially lead to regulation of agricultural emissions, and limits on some agricultural practices, Congress has not proposed this due to the complexity of regulating these emissions. Agricultural cap-and-trade offset programs would have to be carefully constructed. In a market-based system, agricultural credits will only be purchased until there is an alternative. Also, agricultural and forestry carbon storage capacity varies throughout the country. Transaction and verification costs could be barriers to entry for producers, and offset contracts could result in restricting future land management options. Both systems must be carefully considered, either would cost the economy through slower growth and increased prices. Unless countries like China and India agree to similar plans, America will face a considerable disadvantage in the world marketplace.

Questions:

How should agriculture respond to the climate change and global warming debates? Should agriculture consider measures to reduce greenhouse gas emissions?

Would Farm Bureau support a carbon tax if proceeds of the tax were allocated to agricultural conservation programs, recognizing a tax would boost input costs?

Should Farm Bureau endorse a cap-and-trade system that fully recognizes agricultural offsets? What agricultural sectors would benefit/lose the most?

What role should USDA or other entities (i.e. Commodity Futures Trading Commission, Chicago Climate Exchange) play in developing and monitoring a carbon trading system?

Is a Federal program preferable to state and/or regional initiatives already being developed?

Farm Bureau Policy:

Policy 503 – Environmental Credit Incentives

Lines 4-21: We support: 1) Development of a practical voluntary market-based carbon credit trading system; 2) USDA pilot carbon credit trading project to develop trading criteria, standards and guidelines; 3) . . . being compensated for planting crops or farming practices that keep carbon in the soil; 4) Providing incentives to industries seeking to . . . reduce emissions of identifiable atmospheric pollution; 5) . . . reforestation of fragile forestlands that are currently in agricultural production; 6) Emission offsets . . . should be fully recognized in any cap and trade system; and 7) Participation in climate discussions to enhance and maximize agriculture's ability to capture economic benefits from emerging carbon market.

Lines 22-32: We oppose: (1) Mandatory restrictions to achieve reduced agricultural greenhouse gas emissions; (2) Mandates, such as carbon taxes and cap and trade policies that would adversely impact agriculture; (3) Any attempt to regulate methane emissions from ruminant animals under the Clean Air Act or any other legislative vehicle; and (4) Emission control rules for farming practices and farming equipment . . .

Policy 248 – Global Environmental Agreements and Treaties

Lines 9 – 13: We oppose ratification of . . . the Kyoto Protocol . . . or any environmental treaty without the use of sound science and to ensure our nation is not placed at a disadvantage or our sovereignty threatened.