

Bixby Bulletin

Lucas Highlights Cap & Trade Concerns with Farm Broadcasters April 29, 2009

Today, Ranking Member Frank Lucas issued the following statement to members of the National Association of Farm Broadcasting at their annual Washington Watch event.

“The Obama administration, Nancy Pelosi, and the Democratic majority have made it clear they plan to pass climate change legislation this year. The Waxman/Markey proposal is the front runner to be considered by the House and a major component of this legislation is cap and trade.

“To be clear, I am not debating the science of whether the earth is warming or cooling. I cannot begin to speculate on weather patterns and how they may or may not be tied to human behavior and consumption. And, I cannot argue with the merits of protecting our environment. But, as a lifelong rancher, as a student of Agriculture economics, and as the Ranking Member of the House Agriculture Committee, I have very serious concerns about cap and trade and its impact on rural economies.

“Cap and trade is nothing more than a national energy tax, and the effects will be far-reaching to businesses, consumers, and even more so to rural America. We are looking at the most amazing tax increase of all time.

“Agriculture is a bull’s-eye industry for cap and trade because it is an energy-intensive industry. Whether it’s the fuel in the tractor, the fertilizer for the crops, or the delivery of food to the grocery store, agriculture uses a great deal of energy throughout production.

“For example, the three biggest crops in the U.S. are corn, soybeans, and wheat. For corn, 65% of farmers’ variable input costs are fuel, electricity, fertilizer, and chemicals.

For soybeans, those same inputs make up 42% of costs.
And for wheat, they are 64% of input costs.

Farmers and ranchers spent \$60 billion on those inputs in 2008.

“Even a small increase in the operating costs for our producers will be devastating to American agriculture. Estimates vary, but experts predict that under cap and trade proposals, energy prices “will increase anywhere between 15 percent and 125 percent. Additionally, as these higher energy prices ripple throughout the economy, producers will pay more for seed, equipment, machinery, steel, and other supplies needed for their agriculture operations.

“Higher costs for production lead to higher prices. Those who will be hit the hardest will be people living in rural areas. Unlike Chairman Waxman’s Hollywood constituents, rural Americans have different lifestyles and challenges. Consider the following: Residents in rural areas must travel farther for routine errands—25 percent more miles than urban households according to the most recent Federal highway data.

Rural households spend 58 percent more on fuel than urban residents as a percentage of income.

Power providers in rural America face a unique challenge of providing affordable electricity to larger, less densely populated areas. Rural electric cooperatives serve 40 million Americans averaging around seven consumers per mile, while other utilities average 35 customers per mile.

Rural electric cooperatives produce 80 percent of our electricity with coal, compared to 50 percent nationally.

And, industries that will be most negatively impacted by higher energy costs such as agriculture, manufacturing, construction, transportation, mining, and utilities comprise 31 percent of all rural employment compared to only 19 percent of urban employment.

“Secretary Vilsack likes to claim that agriculture will be a net winner when it comes to climate change legislation, but he has failed to provide any real numbers to make the case. The Waxman/Markey bill is 648 pages long and yet falls short of explaining any kind of details of what the costs will be with cap and trade and how those costs will be offset with allowances or credits, or how tax revenue will be distributed.

“The Waxman/Markey bill does not specifically recognize agriculture as an offset, nor does it exclude agriculture as a “capped sector.” It does not allow USDA any kind of regulatory role, but rather leaves regulations up to EPA. And this bill does not recognize early actors of conservation practices and does not allow current conservation activities into an offset program.

“My good friend Chairman Collin Peterson has indicated that he will possibly produce legislation related to agriculture and cap and trade. And, because I know that he will have the best interests of our farmers and ranchers in mind as he moves forward, I have told him that I am happy to play a role in that process. But, I have very grave concerns about where those outside our committee are taking this process and the impact cap and trade could have on our farmers and ranchers. I am very skeptical that agriculture could ever be a net-winner under cap and trade. And I think that it is imperative that we go through regular order, conduct hearings, and study this issue and its implications for production agriculture carefully.

“In its first 100 days, the Obama administration has proven to be the most unfriendly administration to farmers and ranchers in recent history. There have been more efforts to undermine the 2008 Farm Bill, than to fully implement it starting with efforts to eliminate

direct payments and to force all farmers to release their tax returns before receiving support payments.

“Now, the EPA is issuing endangerment findings formally declaring carbon and other greenhouse gases, such as methane, as a pollutant. This paves the way for the EPA to regulate anything and everything that emits carbon or other greenhouse gases including livestock. The very real possibility of this administration proposing a “cow tax” is why I proposed legislation to protect our livestock producers. With this in mind, I have great concerns leaving the details of a national cap and trade program to this administration. It is clear the Obama administration is no friend to agriculture.

“Protecting the environment is a worthwhile effort and I am all for it. I helped craft the greenest Farm Bill ever in 2002. It increased funding to incentivize voluntary conservation programs by 80 percent. In 2008, I worked to improve and expand those conservation programs. And, I helped draft a new energy title to encourage agriculture to produce second generation bio-fuels.

“But, I cannot support legislation that does nothing but levy taxes on rural America and I cannot support legislation that leaves the livelihoods of our farmers and ranchers in the hands of President Obama’s EPA.

“If we want a real solution to climate change then we should continue to focus on incentives, innovation, and research and not on taxes and mandates. We must remember that farmers and ranchers are natural stewards of the earth and they find new and innovative ways to reduce energy usage, reduce emissions, and sequester carbon while still providing America with an abundant and affordable food and fiber supply.”