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H.R. 2454 would devastate agriculture

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In June, the House narrowly passed H.R. 2454, the American Clean Energy and Security Act. The Senate has begun considering legislation on the same subject.

As ranking Republicans on the Senate and House Agriculture committees, one of our greatest concerns with this legislation is the tremendous impact it will have, not only on agriculture, but also on our entire rural economy. Numerous studies conducted on H.R. 2454's cap-and-trade provision show that invariably there will be real costs to agriculture, while the benefits, if any, are difficult to quantify.

It is worth noting that more than 120 agriculture groups still oppose H.R. 2454 today. They do so for good reason. If this bill were to become law, it would dramatically change agriculture for the worse, not just because this industry is energy-intensive, but because this bill impacts the entire network that supports agriculture. From input suppliers to processors to retailers to consumers, no part of the food chain is left unscathed.

Consider the following:
A recent study from Texas A&M University's Agricultural and Food Policy Center (AFPC) found that 71 of 98 farms studied will be worse off under H.R. 2454, even in the early years of the program. The study is based on individual, representative farms in the AFPC database. The farm database has been a highly useful tool for the past 26 years to understand the farm-level impacts of government policy. The study indicated that the benefits to these operations are predominantly the result of increased revenue from higher prices because of fewer acres planted for crops, not from payments under an offset program. In essence, this means that those farms that benefit do so only because other producers go out of business.

The AFPC study uses the Environmental Protection Agency's estimates for how much energy prices will increase under H.R. 2454. Based on independent analyses, EPA's estimates are understated. The EPA makes unrealistic assumptions on future deployment of nuclear energy, availability of clean coal technology, and other factors.

Another study from the Nicholas Institute at Duke University examines the impact of H.R. 2454 on land use. According to the study, "these opportunities [offsets] and the added cost of production are likely to divert land and shift up the supply curve, thus reducing the amount of agricultural production entering traditional markets." The researchers conclude that the bill deliberately shrinks U.S. agriculture. And, it does so at a time when the rest of the world is struggling to increase food production to meet the needs of a global population that is likely to top 9 billion people by 2050.

The U.S. Department of Agriculture recently released its own study on the impact H.R. 2454 will have on agriculture. However, USDA uses the same EPA data and significantly underestimates the increase cost of production to farmers and ranchers.

The USDA study included only a limited analysis of the livestock industry and no analysis of the specialty crop sectors. Livestock and poultry account for over half of U.S. agricultural cash receipts, often exceeding $100 billion per year. Specialty crop production represents approximately 50 percent of the total value of U.S. crop production.

At the same time that costs are going up and farm income is declining, food processors who buy the farmers' crops and livestock are falling under regulation. Under H.R. 2454, they will be forced to buy allowances to stay in business while paying the same fuel price increases and other higher production costs as farmers. With little or no free allowances, the regulatory costs on their grain and meat processing and food production facilities will be hit immediately. The inevitable result will be reduced prices paid to farmers and higher food prices for consumers.

Proponents of H.R. 2454 often argue that farmers and ranchers can mitigate higher costs by participating in an offset program. However, not every farmer and rancher will be able or even eligible to participate. Under H.R. 2454, participating in an offset program depends upon the producer's location and farming operation.

As noted above, some analyses show that a farmer's best and almost only chance to participate in an offset program would be if the farmer stops farming altogether and plants trees instead. Most of the offset benefit is generated by afforestation on agriculture lands. This underscores another troubling part of H.R. 2454 in that it estimates 40-60 million acres of land are likely to shift from commodity production to forestry.

There are two aspects of all of these studies that remain consistent. First, they all highlight the fact that more research must be done before Congress can complete a climate change bill. There is still too little known about the ramifications of a national cap-and-trade system on the agriculture sector and the economy as a whole.

Second, they all show that production costs for farmers and ranchers will increase, which will cause farm income to decline. USDA projects a long-term decrease in net farm income of nearly $5 billion. The American Farm Bureau estimates $13 billion.

We need to pursue legislation that reflects the realities of producing food, fiber, feed, and fuel in the United States. We need to continue to have thoughtful debate, hold hearings, and gain as much understanding about the consequences of our actions. We cannot afford to rush a climate change bill through Congress that will cripple our rural economy.

Chambliss and Lucas are the ranking members of the Senate and House Agriculture committees, respectively.