

POLICY BRIEF

COMMITTEE ON AGRICULTURE

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H.R. 2454, the American Clean Energy and Security Act of 2009

Cap and Trade: Threat to American Agriculture and Rural Economies

Background

On June 26, 2009, [H.R. 2454](#), the American Clean Energy and Security Act of 2009, sponsored by Representatives Henry A. Waxman (D-CA) and Edward J. Markey (D-MA), passed the House of Representatives by a roll call vote of 219-212 ([Roll Call 477](#)). The Waxman-Markey bill amounts to a national energy tax that would devastate the agriculture industry and wreak havoc on the entire rural economy. If signed into law, the bill would cause energy prices to skyrocket for farmers and agriculture producers, reduce farming and production jobs, and broaden the scope of government intrusion into the agriculture industry. The Waxman-Markey bill creates a national energy tax that will do more harm to production agriculture, American industry, and our standard of living for dubious environmental benefits. From higher energy costs to lost jobs to higher food prices, cap and trade promises to cap our incomes, our livelihoods and our standard of living, while it trades away American jobs and opportunities.

What They're Saying

“The American Farm Bureau strongly opposes this bill and urges all members to vote ‘No’ on final passage. Congress is on the threshold of debating a program that will unquestionably impose enormous costs on the American economy, including agriculture.”

Bob Stallman, President of the American Farm Bureau Federation

“Our members remain very concerned...about the effects the overall climate bill could have on their costs of fuel, electricity, feed, fertilizer, equipment and other inputs necessary to maintain a cattle operation, as well as the costs of potential future regulation.”

Gary Voegt, President of the National Cattlemen’s Beef Association

“U.S. agriculture would be affected in a variety of ways. Energy providers’ compliance with greenhouse gas emission reduction legislation will likely increase energy costs. Higher prices for fossil fuels and inputs would increase agricultural production costs.”

Dr. Joseph Glauber, USDA Chief Economist

The Facts: What Democrats Don't Want You to Know

National Energy Tax: Agriculture is one of the most energy-intensive industries in the U.S. economy, which puts it squarely in the cross-hairs of Democrats' national energy tax. The Heritage Foundation [estimates](#) that by 2035, gasoline and diesel costs are expected to be 58 percent higher and electric rates 90 percent higher as a result of Democrats' cap and trade scheme. These ballooning energy costs will result in higher production costs, higher input costs, higher processing costs and higher costs for agriculture retailers. The net result will be higher food prices for American consumers already struggling to stay afloat during the economic downturn.

Competitive Disadvantage: Democrats plan to pull the rug out from under American farmers and ranchers by deliberately putting them at a competitive disadvantage in the global marketplace. The facts are simple: As energy prices go up, the production costs for American farmers and ranchers will go up. This in turn will cause the markets for their crops and livestock to shrink, as foreign competitors—who are not affected by a national energy tax—will undersell American producers in foreign markets, and even increase imports in our domestic markets.

Loss of Farm Income: Operating costs for America's farmers and ranchers will skyrocket under the Waxman-Markey bill, shrinking the bottom line for these small businesses already operating with very low profit margins. If the Waxman-Markey bill is signed into law, The Heritage Foundation [estimates](#) that American farm income is expected to drop \$8 billion in 2012, \$25 billion in 2024 and over \$50 billion in 2035—decreases of 28%, 60% and 94%, respectively.

Agriculture Job Losses: Democrats don't want to hear it, but the real cost of their cap and trade scheme is good paying jobs in rural America. Enactment of this legislation will unquestionably cause severe job losses, as farmers, ranchers and input suppliers cut back employment to compensate for higher operating costs—if they don't shutter their doors altogether. According to a recent [study](#), U.S. fertilizer producers directly employ over 24,000 Americans. A national cap and trade system would threaten these good paying jobs because it would drive up the price of natural gas, a critical component of fertilizer production.

Carbon Offset Program a Farce: Democrats claim that farmers and ranchers can mitigate the higher costs of cap and trade by participating in an offset program. What they don't tell you, is that not every farmer and rancher will even be eligible to participate, since eligibility depends on location and farming operation. And even if they are eligible, the best and almost only chance to participate in an offset program would be if the farmer stops farming altogether and plants trees instead. This underscores the most troubling aspect of a national cap and trade system, which is that 40-60 million acres of land are likely to shift from commodity production to forestry. Furthermore, the bill identifies key industries and exempts them from emission reduction requirements by giving away offsets. Yet, agriculture is not one of those key industries. What is more important than growing our nation's food supply?