



National Grain and Feed Association



Climate-Change Legislation

Issue: Climate-change legislation under consideration in Congress could incentivize conversion of cropland to forest or grassland in exchange for tradable carbon credits.

The U.S. government already operates a large-scale land-idling program – the Conservation Reserve Program – that sets aside more than 31 million acres under 10 to 15 year contracts – the fourth largest U.S. “crop” in acreage terms. Potential incentives that further erode acreage for food and fuel crops could have a significant negative impact on the availability of both; devastate U.S. agriculture’s ability to compete in domestic and export markets; and destroy jobs dependent on U.S. agriculture’s productivity. There also are a number of other key areas of concern that have not been addressed adequately in the legislation.

NGFA Position: Given the magnitude and complexity of the climate-change issue, the NGFA supports a deliberate, cautious and conscientious effort by Congress to carefully scrutinize a carbon-reduction program’s impact on both the domestic and global food-production industry, as well as the resulting impacts upon consumers and those in need of humanitarian food assistance.

The NGFA urges that Congress appropriately address several major areas in any climate-change legislation:

- **Global Competitiveness of U.S. Agriculture:** The climate-change issue is global, and the NGFA is wary of any U.S. approach that does not address it through an international cooperative process. Developing countries are among U.S. agriculture’s fiercest competitors, and they stand to gain a significant competitive advantage against U.S. farmers and agribusinesses if the U.S. pursues a unilateral approach.
- **Incentives for Idling Productive Cropland:** The NGFA believes the House-passed bill, as well as the Senate’s Kerry-Lieberman bill, would provide excessive incentives to idle productive farm and rangeland. Global commodity supplies have been challenged in recent years, and the world witnessed a severe run-up in commodity and food prices in 2008. That makes it critical that any move to reduce carbon emissions does not inadvertently incentivize farmers to take land out of production or allow carbon emitters to purchase cropland and take it out of production to earn carbon offsets. That would devastate U.S. agricultural competitiveness, destroy jobs and undermine the economic foundation on which rural communities depend.
- **Increases in the Cost of Handling, Processing and Exporting of Grains and Oilseeds:** The grain, feed and processing industry utilizes significant amounts of power to run its operations, and those costs already have increased dramatically in recent years. Given the geographic expanse between production and consumption, the industry is a major shipper of commodities by truck,

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barge, ocean vessel and rail. Major cost increases in those industries undoubtedly will hit grain and oilseed shippers very hard, particularly since there are few alternatives in most cases to move these commodities. Those transportation cost increases inevitably would be passed back to producers through lower farm-gate prices.

- **International Implications:** Global competitiveness is a key issue for U.S. agriculture, but we must also be mindful of our World Trade Organization (WTO) obligations. Taxing imports in an attempt to level the playing field if the United States acts unilaterally will raise the specter of like treatment by affected countries and invite retaliation by our trading partners. Likewise, improvements in food and energy security are critical to geopolitical stability. The reliable and cost-competitive export of U.S. agricultural products is an ever-more critical element of the global food, fiber, fuel and feed environment, and to our balance of trade.

The problems of climate change are global in nature and we believe U.S. support to achieving a global solution has the best chance to lead to a successful outcome to address global warming while maintaining the competitiveness of U.S. agriculture – an industry that has consistently contributed a positive balance of trade for the U.S. economy.

Why Land-Idling Programs Should Be Viewed With Caution:

- ◆ Land in major U.S. crops has declined since the beginning of this decade at the same time world land planted to major crops increased by 153 million acres. Any land taken out of production in the United States, which represents the most technologically advanced form of production, is more than made up for by our competitors that do not use the same conservation techniques or are subject to the same regulations protecting the environment.
- ◆ Encouraging producers or landowners to take land out of agricultural production and sell it as credits rather than continue agricultural production using improved conservation techniques would threaten the ability of U.S. agriculture to provide sufficient supplies for use in food, feed, biofuels and exports.
- ◆ Further idling of productive resources, while harmful to U.S. agricultural competitiveness, can be a particular burden on young farmers and ranchers trying to build economically viable operations. These producers, in particular, can find it difficult to compete with government programs that provide economic incentives to idle land rather than rent or sell those acres.
- ◆ The most environmentally sensitive agricultural land already is enrolled in USDA's Conservation Reserve Program (CRP), which in acreage terms is the fourth largest "crop" in the United States. The 31 million acres currently idled in the CRP represents roughly one-sixth of America's cultivable land mass. Further land-idling could hamper America's ability to produce the safest, most abundant and affordable food supply in the world.