Clean Energy Bill Could Help Farmers Economically

An analysis shows that farmers could benefit from policies established by the House's Clean Energy bill.

December 14, 2009

The Clean Energy bill could provide offset costs for farmers who reduce their greenhouse gas and carbon emissions, such as through implementing no-till farming methods. As Congress discusses the Clean Energy and Security Act of 2009 (H.R. 2454)—the infamous cap-and-trade bill—those in the agriculture sector wonder how they will be affected economically by potential changes in U.S. climate change policy.

According to an analysis performed by Kansas State University, while the Clean Energy bill could cause a modest decline in short-term profits for farmers, it will not hinder profits in the long-run. The analysis, which was sponsored by American Farmland Trust, looked at six economic studies as of December 1, 2009, that examined the effects of the bill.

"Overall, the research suggests U.S. agriculture has more to gain than lose with the passage of H.R. 2454," said Bill Golden, a research assistant professor at KSU's Department of Agriculture Economics who led the study. "The bill specifically exempts production agriculture from emissions caps, provides provisions to ease the transition to higher fertilizer prices and fosters the development of carbon offset markets, which will likely enhance agricultural revenues."

Globally, the agriculture industry is responsible for 15 percent of emissions, Agriculture Secretary Tom Vilsack told attendees at the Agriculture and Rural Development Day in Copenhagen on December 12, 2009. Thus, the agriculture industry must play a role in mitigating climate change.

The bill would require the agriculture department to establish an incentive program for activities that reduce greenhouse gas and carbon emissions, such as no-till farming, as well as a cost-offset program.

"At the present time, it is not completely clear how renewable energy legislation and climate offset markets will function together," Golden said. Success will be determined by how carbon trading and renewable fuel policies are implemented.

The KSU analysis found that the six studies made different assumptions about key variables that could significantly impact the results, such as what agricultural offsets will be included in the Clean Energy bill. The economic impacts will vary by region and by crop and livestock sub-sectors.

The Clean Energy bill also establishes a Renewable Energy Standard, requiring a portion of U.S. electricity to be produced from low-carbon renewable energy sources, such as photovoltaic systems. According to KSU's analysis, as the market expands, the agriculture sector will see financial benefits.

The analysis could not conclude a definitive impact the Clean Energy bill would have on the agriculture sector because it will depend on what climate change policies are included. However, Jimmy Daukus, director of AFT's Agriculture and Environment Campaign, said he expects it to have significant implications for farmers and ranchers.

"Farmers and ranchers have a great deal at stake," Daukus said. If the Clean Energy bill is not passed, the EPA will have to regulate greenhouse gas emissions under the Clean Air Act. "Regulations without opportunities will only bring cost to producers. Agriculture needs the USDA and others to analyze the effects of a regulatory-only alternative to better understand the potential economic impact."