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Corn Growers Oppose Climate Bill: National Corn Growers Association Cites Study Showing More Costs Than Gains

Chris Clayton

With the potential of higher production costs and shift in crop acreage, the National Corn Growers Association (NCGA) revised its position to oppose the House climate legislation that passed on June 1, 2009.

A study by Informa Economics[1] shows that under the House-passed climate bill, corn-production costs would rise minimally through 2025, but would then begin to increase dramatically, rising nearly $50 an acre by 2035.

The NCGA changed its position on climate legislation after a new study showed that under a cap-and-trade regime created by the House climate bill (H.R. 2454), corn farmers could face higher production costs over time, acreage shifts because of carbon credits, and marginal potential income for farmers who can practice continuous no-till production.

"The cost of production of corn, soybeans and wheat will go up, and every farmer will experience that cost increase," said Paul Bertels, NCGA's Director of Economic Analysis. "Some growers will be able to benefit from H.R. 2454 participating in the offset market. The key thing is that's some growers, not every grower."

Leaders from NCGA also signed a letter with other farm organizations supporting efforts in the U.S. Senate to block the Environmental Protection Agency from regulating greenhouse gases under the Clean Air Act.

NCGA is late to the table among other agriculture and commodity groups opposing the House bill. The group waited to state its position until NCGA leaders received an analysis of the climate bill by Informa Economics.

NCGA remains neutral on legislation in the Senate to continue talks and ideally improve on the House bill. Still, NCGA President Darrin Ihnen said farmers are leery of how cap-and-trade could work and whether such a program would do more economic harm than good.

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[1] The NCGA analysis conducted by Informa Economics can be found at http://www.ncga.com/.

The American Farm Bureau Federation made defeating cap-and-trade legislation a centerpiece of its national convention. However, some groups continue backing a comprehensive climate bill. The National Farmers Union (NFU) issued a news release stating that the group held a joint briefing on Capitol Hill with members of the 25 × ’25 coalition explaining how climate policies would benefit farmers. NFU President Roger Johnson continues to argue that legislation is a better solution than EPA regulation.

According to the Informa study, if carbon prices hit $40.75 a ton in 2020, it would cause diesel prices to increase about 33 cents more per gallon above what otherwise might have occurred. Natural gas would increase about $1.50 per 1,000 cubic feet.

Corn-production costs would rise minimally through 2025 if the fertilizer industry qualified for free carbon allowances given to trade-vulnerable industries. After 2025, however, those free carbon allowances go away. The Informa study shows corn-production costs then begin to increase dramatically, rising nearly $50 an acre by 2035.

In soybeans, Informa reported lesser fertilizer impact, with production costs rising about $11 an acre by 2035. Wheat growers would see production costs increase about $21 an acre by 2035, according to the study.

NCGA President Ihnen, a farmer from South Dakota, said one of the challenges for farmers benefiting from the House bill is the demand for no-till crop production, which is not practical for farmers throughout the country.

“Obviously, continuous no-till does not work for me, so I would be a loser,” Ihnen said. “So we have to develop a system by which we can get credit for doing minimum tillage for doing more to protect our land in sensitive areas .... You know the big thing is keeping costs down. What assurances are we going to have that the bill’s not going to change [factors] that affect our suppliers of our products, whether it be fertilizer, fuel, equipment? We need to see a definite positive gain.”

Like other studies, Informa found there would be an acreage shift from crops to forestry under the House climate bill as the price of carbon credits increases over time. Informa forecast that by 2035, somewhere between 5 million and 9 million crop acres would convert to forestry, and another 10 million to 18 million acres would convert to perennial crops grown for energy and carbon offsets. This would result in a 7% to 12% loss in acreage and as much as a 7% decline in production.

The USDA had projected as many as 59 million acres would convert from crops and pasture to forestry by 2050 if the carbon market hit $70 a ton. The USDA study projected about 35 million acres would come out of crop production. Paul Bertels said the NCGA study by Informa reduced the acreage numbers by providing more analysis on how logical it might be for a farmer to actually convert land.

“One of the key things that sets this study apart is when USDA produced their model using a big econometric model, once that farm would make $1 more planting trees, a farmer would plant trees," Bertels emphasized. "Now, we know that doesn't pass the reality test."

Informa used a baseline that farmers would have to make greater than $20 an acre more to plant trees and $15 an acre more to convert to perennial energy crops.

Informa limited its analysis to the potential change to continuous no-till cropping practices for potential benefits in offsets. Minimal or rotational no-till practices were not factored into the study. In the center of the Corn Belt, Informa calculated that about 60% of farmers could implement a continuous no-till practice. The analysis determined no-till farming could be used more in Southern states, but less in Northern cropping regions.

The Informa study did not look at the impact of a 20% renewable portfolio standard that could drive more windmill development on farms or the price farmers could receive selling biomass from their farms. The House bill has a 20% renewable standard. Senators also already are focusing on considering a bill that would promote renewable energy but drop the cap-and-trade language.

While national leaders pan the need for a cap-and-trade bill, Yvo de Boer, Executive Director of the United Nations Framework Convention on Climate Change, notes that other countries are going to hold the United States accountable for commitments made at the U.N. meeting in Copenhagen, Denmark.

"The President of the United States committed to a 17 percent emissions reduction in Copenhagen," de Boer said. "The President of the United States committed to more ambitious emissions reductions for 2030 and 2050. And it is those statements to which the international community will hold the government of the United States accountable."