



For Immediate Release

25X'25 Releases University of Tennessee Study Analyzing Impact Of Climate Change Legislation on U.S. Agriculture

Report Shows Net Returns Positive under Properly Constructed Cap-and-Trade Program

KANSAS CITY, MO, Nov. 11, 2009 – Net returns for virtually all major crops are positive under a properly constructed cap-and-trade program, according to a University of Tennessee study released today by [25x'25](#). However, the study goes on to show that if carbon emissions are regulated by EPA as prescribed under a 2007 Supreme Court ruling, net farm income is projected to fall below baseline projections.

The *Analysis of the Implications of Climate Change and Energy Legislation to the Agricultural Sector*, the long-awaited and comprehensive assessment by the [University of Tennessee's Bio-Based Energy Analysis Group](#), says that an operationally efficient cap-and-trade program that allows multiple offsets, including those for bioenergy crop production, while restricting the removal of crop residues to acceptable, environmentally beneficial levels, offers positive net returns for eight of the nine major crops analyzed.

Furthermore, at a meaningful but moderate carbon price of up to \$27 per metric ton of carbon dioxide (MtCO₂e) – a price level projected by EPA – no cropland is expected to be converted to forests. In fact, no major shifts in commodity cropland use are expected under a properly constructed cap-and-trade system.

The demand for bioenergy feedstocks under the optimal cap-and-trade scenario is projected to result in significant increases in hay and dedicated energy crop acreage through pasture conversion, though crop and beef prices are not disrupted. And biomass feedstock production would offer the environmental benefits of significant direct and indirect reductions in greenhouse gas (GHG) emissions.

"The study projects how meeting selected energy and climate change policies might impact the agricultural sector," says Burton English, a University of Tennessee professor of agricultural economics and coauthor of the study. "Scenarios analyzed include alternative agricultural offset treatments and evaluates their potential impacts on the U.S. agricultural sector."

Another co-author, Daniel de la Torre Ugarte, says the analysis shows that the impacts of cap-and-trade policies on the agricultural sector could have dramatically different outcomes depending upon how the cap-and-trade policy is constructed. "However, a well-constructed cap-and-trade program that allows multiple offsets for agriculture, including bioenergy crop production and manages residue removal to be carbon neutral, can generate positive net returns to agriculture and yield significant carbon benefits," he adds.

"The study has found that income from offsets and from market revenues is higher than any potential increase in input cost, including energy and fertilizer, if cap-and-trade is done right," says Bart Ruth, policy chairman for 25x25, an alliance advocating the role of agriculture and forestry in providing energy and climate solutions from the land.

However, the study, which compared four scenarios against USDA baseline projections, shows that in addition to pushing farm income down, EPA regulation, coupled with domestic offsets limited to afforestation alone, could result in the conversion of sixty million acres of cropland into forests and grasslands.

"The study provides clear evidence that EPA regulation, as dictated by the Supreme Court, could subject agriculture to higher input costs," Ruth says. "And there will be no opportunity for farmers, ranchers and forestland owners to be compensated for the greenhouse gas reduction services they provide. Furthermore, the impacts of EPA regulation on beef production are uncertain."

"Energy prices will very likely go up under any cap-and-trade scenario," says Fred Yoder, past president of the National Corn Growers Association. "But with a properly constructed system that maximizes the contributions agriculture can make to stemming climate change, farm revenues will grow as well, increasing by \$13 billion per year." Yoder cited study figures showing a \$1.9-billion growth in annual returns over baseline projections from corn and another \$600 million annually for soybeans.

"This study indicates higher commodity prices, and it also shows farmers will have the opportunity to get paid for growing bioenergy crops, reducing their emissions by managing fertilizers and manure, and sequestering carbon in the soil," Yoder said.

"Farmers and ranchers want to be a part of the climate change solution and this study illustrates the significant role they can play," says Roger Johnson, president of the National Farmers Union. "Failing to address climate change through legislation, and instead subjecting producers to EPA regulations, would be a huge mistake. This study illustrates this point and rejects the ill-conceived notion of massive movement from cropland into forests and grasslands under a cap-and-trade system."

Follow these links to copies of the [report](#), an [executive summary](#) and [key findings](#), or visit www.25x25.org.

For more specific information from the report, contact Burton English at 865-974-3716 or by e-mail at benglish@utk.edu; or Daniel de la Torre Ugarte at 865-974-7407 or danieltu@utk.edu.

For more from the agricultural producer perspective, contact Fred Yoder at 614-530-4510 or seedman@netwalk.com; or Bart Ruth at 402-641-6692 or bdruth@wildblue.net; or Roger Johnson, who can be reached through NFU Communications Director Liz Friedlander at 202-314-3191, or at lfriedlander@nfudc.org.

For more on 25x25 and the role of agriculture and forestry in a reduced carbon economy, contact Ernie Shea at 410-952-0123 or EShea@25x25.org.