



Agriculture Energy Alliance

Representing agriculture as a producer and consumer of energy

June 11, 2009

The Honorable Nancy Pelosi
Speaker of the House
United States House of Representatives
Washington, D.C. 20515

Dear Madam Speaker:

We are writing you today on behalf of American farmers and producers of farm inputs to express our concern with aspects of the American Clean Energy and Security Act of 2009 (H.R. 2454) approved by the House Energy and Commerce Committee on May 21, 2009. As it is currently formulated, this legislation would burden U.S. farmers with significantly higher production costs. It would also put U.S. producers of key agricultural inputs such as fertilizer and petroleum products at a serious competitive disadvantage and would force even more production of these critical farm inputs overseas to countries with no carbon reduction policies. Contrary to the hopes of many in the agricultural community, the bill does not provide farmers with the ability to recover any of these cost increases through the sale of carbon offset credits. These cost increases will be prohibitive if an international greenhouse gas reduction agreement is signed after U.S. production of fertilizer and petroleum products has been forced overseas. We believe that the American Clean Energy and Security Act of 2009 must address these concerns.

The agricultural sector is highly energy intensive and relies on natural gas, refined petroleum products and other energy inputs for food processing, irrigation, crop drying, heating farm buildings and homes, crop protection chemicals, and nitrogen fertilizer production. Even though the bill does not include agriculture under the cap, the net result of this legislation would be to increase dramatically farmers' energy costs.

The result of this bill will be to force production of key inputs such as fertilizer and petroleum products to countries that do not regulate carbon emissions. For example, the U.S. fertilizer industry competes in a global marketplace that includes many producers from countries with no carbon reduction policies, like Russian, Chinese and Middle Eastern producers. U.S. fertilizer production also competes with producers in the European Union and Australia whose governments have adopted or drafted policies that aim to fully protect their energy-intensive/trade-intensive industries including fertilizer. U.S. farmers are already dependent on imports for about 55 percent of their nitrogen fertilizer needs. As H.R. 2454 is currently drafted it would place U.S. fertilizer producers at a competitive disadvantage and force them to make a stark choice between losing market share to imports or moving production overseas.

The current version of H.R. 2454 also fails to recognize and support the benefits that agriculture can provide to the reduction of carbon emissions. Agricultural best management practices can play an important role in reducing carbon emissions. In addition, these reductions are low-cost and can be generated rapidly during the early years of a cap and trade program when a quick

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start is most urgent. We feel strongly that any cap-and-trade legislation must recognize and account for the benefits that agriculture can provide and should also allow farmers to earn the potential revenue from carbon sequestration trading to help offset increased input costs.

As currently drafted, H.R. 2454 fails to address the most important concerns of the U.S. agricultural sector. We believe this legislation must directly address increased input costs, the potential to force fertilizer production and petroleum refining overseas, and the tremendous offset capability of American farm production. To be viable, any climate change legislation must recognize the critical role that agriculture can play in protecting and restoring our environment. At the same time, it must not and cannot place the unbearable burden of increased prices for petroleum products, fertilizer, electricity and other agricultural inputs on the backs of American farmers. Particularly in this difficult economic period, we must ensure that our environmental goals are met in a way that does not endanger jobs, investment or food security provided by our agricultural sector. Put another way, this legislation should be supportive of, not in opposition to, our collective mission of feeding America and the world.

Sincerely,

Agribusiness Association of Iowa
Agricultural Retailers Association
Agrium Inc.
American Agri-Women
American Plant Food Corporation
Associated Industries of Florida
Brandt Consolidated
CF Industries
CHS Inc.
Chemical Industry Council of Illinois
D.B. Western, Inc.
Far West Agribusiness Association
Florida Chamber of Commerce
Florida Farm Bureau Federation
Florida Fertilizer & Agrichemical Association
Florida Strawberry Growers Association
GROWMARK
Hardee County Farm Bureau (FL)
Hillsborough County Farm Bureau (FL)
Illinois Fertilizer & Chemical Association
Indiana Grain & Feed Association
Indiana Plant Food & Ag Chemicals
Association
International Raw Materials, Ltd.
W.B. Johnston Grain Co.
J.R. Simplot Company
Kansas Agribusiness Retailers Association
Kansas Grain and Feed Association
Minnesota Crop Production Retailers
Minnesota Agri-Growth Council
Missouri Agribusiness Association
Montana Agricultural Business Association

NCRA
National Grange
Nebraska Agri-Business Association
North Dakota Agricultural Association
Oklahoma Ag Retailers Association
Oklahoma Grain & Feed Association
Oklahoma Seed Trade Association
Peace River Valley Citrus Growers
Association
Polk County Farm Bureau (FL)
PotashCorp
Rocky Mountain Agribusiness Association
Sarasota County Farm Bureau (FL)
Society of American Florists
South Carolina Fertilizer & Agrichemicals
Association
South Dakota Agri-Business Association
South Dakota Grain & Feed Association
Southern Crop Production Association
Terra Industries Inc.
Texas Agricultural Cooperative Council
Texas Grain & Feed Association
The Andersons, Inc.
The Fertilizer Institute
The McGregor Company
Western Plant Health Association (CA)