

Secretary Vilsack Discusses Opportunities for Agriculture in Climate Change Efforts and Previews Hill Testimony

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Susan Carter, USDA: Good Morning. I'm Susan Carter and thank you for joining us for today's media briefing. Here in the studio with us this morning is Agriculture Secretary Tom Vilsack and he's here to discuss opportunities in Agriculture in Climate Change effort. This is a preview to upcoming testimony on Capitol Hill later today with USDA's Chief Economist, Joe Glauber. For those reporters who are going to ask questions, do so, by pressing star 1 on your telephone key boards to let us know that that is your intention, and with that I turn the microphone over to Secretary Vilsack, good morning.

Secretary Vilsack: Thank you Susan and good morning to all and thank you for joining us this morning. I wanted to take this opportunity this morning to briefly discuss with you Joe Glauber's testimony today.

USDA, under Joe's leadership, has finished its analysis on the impact on energy and climate change legislation is currently being proposed in the Congress. Joe will be testifying today and summarizing the analysis that he and his team have done before the House Agriculture Committee, Subcommittee and Conservation Credit, Energy and Research. He will also be testifying tomorrow as well.

Today's testimony will focus on the Energy's cost side, while tomorrow's testimony focuses on the offset benefits to Agriculture through climate change, that legislation that I wanted to provide to all of you with a preview of Joe's testimony today. Our analysis examines the impact of legislation that was passed by the house. We looked at the impact legislation over a short period of time to find the years 2012-2018. During the mid-term, the median term which is 2027-2033, and the long term 2042-2048, and it relies on a number of published studies as well analysis which was conducted by USDA's economic research service as well as the EPA.

Last summer as you know we issued a preliminary analysis, in this revised analysis we've refined and expanded the analysis. We have added an analysis of the impact of climate legislation on specialty crops, fruits and vegetables, and we've also looked at some of the regional impact of climate change legislation. When we issued our preliminary analysis we said that the final analysis would be forthcoming and it will be.

The final report will be issued next week and the final analysis contains the same conservative assumptions that our preliminary analysis contain. We assume no technological innovation from Agriculture which we know is a very conservative assumption, and secondly, we also have not fully analyzed or calculated into the calculations the benefits that we believe will result from a

more robust bio energy sector. Uh, that is developing, you know, farm and ranch land across the country.

Our analysis finds that even under conservative assumptions, climate change legislation will be a net gain for Agriculture. In the short term returns to Agriculture from the offset markets are likely to outpace costs associated with higher prices. Over the medium and long term, our analysis suggests that the benefits from off sets will overwhelm any increase costs. On the costs sides there are provisions in the House bill that are often not discussed, designed to help the fertilize industry in particular to keep costs down for Agriculture for the first period of time in the climate change legislation until 2025.

During that period of time, again, while we didn't assume that there would be technological innovation, one assumes, fair assumption that there will be significant research done in the area of fertilizer up to 2025 and I would imagine and suggest that there would be some innovations that will allow any increase cost be evaded after that date. Of course different crops will be affected differently by climate legislation as is the case with no action and inaction. Our analysis does not compare the circumstances that would occur if nothing were to take place by the Congress. We did try to make a review of what could happen to Agriculture if climate legislation was passed in its current form.

If there are areas of the country or if there are crops that were not necessarily received net gain from climate change legislation, it would be our intent, to either use the current Farm Bill programs which will help those landowners who may not totally benefit from climate change legislation to assist and to adapt to climate change or be supportive of what Senator Stabenow has proposed in a proposal that's currently being considered which would provide additional assistance and help for those areas of Agriculture that aren't necessarily positively impacted by offsets. Ah, while we see some increase costs for some producers, um increase costs for fruit and vegetable producers, for example, in the short term are less than 2%, over the long haul the impacts may be less than 4%. Again, if that is an issue the Stabenow legislation would certainly address it as well as farm programs that are available to those producers.

Another concern that has been raised about climate change legislation is that may raise food prices are now to suggest that such impacts will be extraordinarily small with increases somewhere between .1% and .2% in a short run somewhere between 1 and 2% by the year 2050. So the impact on food prices are quite small.

Also want to touch on the impact of climate legislation on crop land, pasture and forest acreage as landowners react to offset markets there will obviously be some impact on land use, and particular providing offsets for a forestation will cause land to be looked at and potentially converted. Joe will make reference to this in his testimony tomorrow showing a forestation rising if crop prices, carbon prices rise significantly. I do think it's important to keep in mind a number of assumptions that go into that analysis.

The University of Tennessee recent analysis of climate change legislation shows that with moderate carbon prices a forestation does not occur. So it obviously depends on the price of carbon what may happen with a forestation. I would like to end my opening remarks by focusing not just on our analysis but on the fact that several analyses have been consistent with Joe's analysis as it relates to a net gain to Agriculture. The Tennessee analysis which was commissioned by the 25 by 25 group clearly shows that for almost all of the major crops that are grown in this country it's a net gain, in the one crop under the.

Analysis in Tennessee that is not a net gain is a relatively small price, cost increase which I think could be overcome by what Senator Stabenow has proposed and by appropriate use of farm bill programs.

-- Q & A --

Bill Thomson, Dow Jones: I apologize for this but have to go a little bit off topic. China said they have lifted their ban on US pork program but there are no details and there has been no public acknowledgement by USDA. To your knowledge has china actually lifted this ban on US pork and can pork shipments return to China?

Secretary Vilsack: Bill, what I know as of yesterday is that China has indicated publicly through the Minister of Agriculture, Minister soon. That they are indeed lifting their ban on pork imports in the United States. What we are waiting for is a detailed explanation from another Chinese ministry, their Ministry of Standards that will establish the circumstances under which imports will be allowed. We have received some preliminary info from them concerning those standards and we are in the process of clarifying precisely what they meant. But it is our hope and belief that these exports will begin taking place hopefully in the very near term.

Dan Locker, Successful Farming Magazine: I believe you're going to be attending the meeting in Copenhagen, is that correct?

Secretary Vilsack: That is right.

Dan Locker: Do you have any comment on how the so called 'Climate-gate' may affect the negotiations and the talks in Copenhagen?

Secretary Vilsack: I'm assuming you're referring to the issues involving e-mails?

Dan Locker, Successful Farming Magazine: Yes, yes in Britain.

Secretary Vilsack: The reality is that the vast, vast majority of scientific information suggests that indeed there are significant changes taking place in the climate and we have begun to see the impact and affect of these changes in a number of places within the United States. When I traveled to Alaska, there was deepening concern in Alaska about loss of coastal area as a result of rising sea levels which in turn is directly related to the melting of the North Pole ice cap.

When I traveled to Colorado I hear deep concern about the Pine Bark Beetle which folks will tell you is the direct result of winters not being as cold as they used to be. And the result is devastation to the pine forest in Colorado. So there's no question that there has been an impact and will continue to be an impact. And I think the international community is united in the need for action. And so I fully expect and anticipate that there will be progress made in Copenhagen. I would assume and believe that there is an opportunity for us, particularly in this meeting and in this setting, to raise the awareness of the importance of doing it right for agriculture and the key role that Agriculture can play in both mitigation and adaptation strategies and trying to adjust and adapt to climate change. I think often times there is a conversation when it comes to climate changes in this country about power companies and major industries and emitters. Often times we don't talk about the role that Agriculture can play in the United States we're somewhere in the neighborhood of 7-10% of the emission issue but we're 20-25% of the solution. In terms of the capacity of Agriculture to sequester carbon for farmers to continue to adapt and innovate and reduce emissions from agricultural production. So there are some really exciting innovations taking place on American farms today.

I was in a hog facility not so long ago that was capturing methane, that methane was being converted into electricity through a solar power system that is located on the farm. There were about 8,000 hogs being raised and the way in which this was being handled substantially-and I mean substantially- reduced the odor issues that are often vexing for hog producers in communities in farm country across the country. So there are tremendous opportunities here. I don't anticipate and expect that any difficulties associated with email traffic and the like is going to deter the international community from aggressively discussing this in Copenhagen.

Ayesha Rascoe, Reuters: Hi Secretary, thanks for having this call. I was wondering, I believe there has been some talk in other countries, I believe Australia where they would exempt agriculture from any cap and trade regime. I was wondering, is that something you think this that the Administration could support? Exempting Agriculture from the cap and trade regime?

Secretary Vilsack: Well, it is reflected in House legislation that Agriculture is specifically exempted from the cap and trade portion of the bill. I think it is important (and our analysis is designed to try to provide) even if AG is set aside, is not subject to the cap, it is important to do an analysis of what the impact will be if other industries are in fact involved in the cap and trade system, how that will positively and negatively, agriculture. I think there is a lot of concern in the country side of what the impact would have on bottom lines.

What we're trying to do with this analysis, what University of Tennessee is trying to do with its analysis, and what other groups have tried to do with their analysis is try to reassure farmers and ranchers that there is income opportunity arising from cap and trade that will substantially increase the bottom line for farmers across the country over the long haul. We're losing at potentially 10-15 or even estimates of 20 billion dollars of additional income coming into farm country as result of an offset regime which is obviously tied to the price of carbon. And that will

overcome and increased cost people think may occur to farming and ranching as result of cap and trade. And for those limited commodities, for those limited items or for regions of the country which may not be able fully utilize offsets, —Senator Stabenow' bill provides additional resources for those commodities and for those growers and for those ranchers and for those farmers. We will obviously be able to unitize effectively and in an innovative way, farm programs conservation programs, equip and things of that nature to provide assistance and help. So I think this is a real opportunity for farms and I'm just struck by the history of this.

When you take a look at where we were the beginning of 19th century 20th century in American not being able to raise enough food to feed our own people now we are capable of feeding our own and the world why is that? It's because we embraced technology and innovation farmers were reluctant when fertilizer was first proposed reluctant when seed technology and hybrid seed was suggested they were reluctant even in farm equipment was suggested but they adopted they innovated they embraced eventually these technologies and the result is Agriculture production is the envy of the World and it so significant last night when the president spoke about Afghanistan I certainly noted the fact that he made reference to the fact that Agriculture is a critical component to success to Afghanistan in our capacity to take our technical experience and knowledge and utilize in Afghanistan to help their farmers become more productive so I understand the concern in farm country but I think what we are trying to reassure people if this is done properly and I believe it will be done properly this is ultimately in long term short term medium term it's going to be beneficial on a net income opportunity for farmers.

Ron Hayes, Radio OK Network: Good morning Mr. Secretary had some questions in regard to exactly what your analysis that Joe talking with the committee tomorrow in regard to livestock specifically the beef cattle dairy cattle industry what does your analysis say about the impact on this propose legislation on these industries?

Secretary Vilsack: I think in the short term it indicates that there may be some adjustment crop prices that may impact livestock producers however livestock producers are also in the position to fully utilize the offset portion of climate change legislation and that is often not appreciated at all by the livestock community and by those they may be opposed to this legislation when you look at the capacity for manure management there is tremendous opportunity for reducing emissions generating on farm sources biogas fuel I've proposed indicating is already occurring in hog operations as I seen rotationally grazing in approved forage creates new opportunity for sequester carbon and admission reduction feed management another opportunity for admission reduction reducing the quantity of nu in some cases can reduce the amount of methane produced by bi-cattle so there are tremendous opportunities that will if fully embraced I think will assist livestock operators in making sure they remain profitable. That's one thing. The 2nd thing is again if there are for whatever reasons producers that aren't able to take advantage of this I am very encourage by Senator Stabenow's work who recognizes that there may be producers that don't qualify can't qualify and as a result they too should receive some of the benefit generated from the sale of allowances and credit alike so I think bottom line there obviously going to be

challenges regardless of what happens but I think it's also interesting to note that it isn't just a challenge with the climate change legislation I think you also have to analyze is that what happens if we don't do anything. What happens if we don't change a single thing what we're doing today if we continue to be reliant in foreign sources of energy I can guarantee you that livestock operations are going to see substantial increases in fuel expense if we don't do anything about climate change and the globe continues to warm at levels that have been gagged through the last several decades or centuries then were going to see more difficult time in terms of raising livestock were going to see a more difficult time in terms of were crops can be raised and what crops can be raised and what the yields will be so I think it's important for us to recognize inaction or no action is really not a very good scenario for anyone in this country.

Allen Bjerga, Bloomberg News:

Secretary Vilsack: Thank you for having this call Mr. Secretary would you mind if you can restate what your analysis is has for impact for net farm income impact and 2nd given that you see a net positive in mitigation legislation for farmers who may be negatively impacted, could you describe the climate change plan's impact on farmers as pain free?

In the short term we see a slight advantage for farmers financially, in terms of off-sets overcoming any increased energy costs and with the language in The House bill that basically mitigates any increase in fertilizer expense because of the assistance that the fertilizer industry will get under the house bill. In the medium term those net benefits begin to increase significantly and over the long haul they increase rather dramatically to the point where over the long term you're looking at, our studies show 10 to 20 billion dollars of additional income to farm country. The Tennessee study was supportive of numbers in that range as well. So there are a multitude of studies that show this is a net benefit for farm country. Now, is it going to be pain free, that would suggest that every single producer in every single part of the country that they are not going to be impacted by this legislation, I don't think that would be a fair statement. I think it is fair to recognize that different producers will be impacted and affected differently. Part of it has to do with where they are located, part of it has to do with what they grow, part of it has to do with the decision of what they grow and what they raise, part of it has to do with how much technology and fact is embraced, part of it is how fascinated the operation is, and so I think bottom line, we think this is a net benefit for farmers and ranchers. Individually some farmers may experience some difficulties but we think more farmers will benefit than not, and those who don't benefit ought to be aware that there are provision like the farm bill programs that can provide assistance and help.

Henry Jackson, AP:

There has been sort of a happenstance weather the president would go initially and I'm curious if you think that will have any effect on how things go there and secondly, was there ever any doubt in your mind that he would attend this conference?

I think the issue with president schedule is always one of how do you take the enormous demands of that office and the capacity of one individual to meet all of those demands and then divide into a 24 hour day and 7 day work week and not totally exhaust the individual so that they are not capable of doing the job. Often times with schedules, it about how do you make it work and I think the issue was, does the president make 2 trips to that region of the world or would it be more convenient to make a single trip and in the end I think the decision was a wisely made given the multitude of issue this man has to deal with on our behalf. The decision was made, the most effective use of his time would be that when he is going over there to get the noble peace prize that he also use that opportunity to make a statement about America's commitment to International arrangements and agreements and America's commitment to looking at climate change is a significant way, which is a departure from the past and I think it's a signal and indication from this country that the rest of the world needs to see, needs to hear and wants to hear. I think the president's work recently in China in encouraging China to become more aggressive in their efforts was very significant, I think the personal diplomacy that the president has utilized over the last year in reaching out to a variety of world leaders, including most recently the prime minister of India will bear fruit over the long haul so I am please that he is going and the scheduling team made the right set of decisions for our country and I think it will be welcomed by the rest of the world that he has taken the time to go to Copenhagen. In the meantime I think there is another indication of the commitment of this administration, that fact that so many secretaries and administrators, key cabinet officials are in fact spending substantial amounts of time and are showcasing various aspects of America's position on these issues is also a very important signal to send about how significant we think this meeting is. I know that I'm looking forward to discussions of deforestation and the role that agriculture needs to play to elevate that understanding and not just n this country, but around the world I think agriculture is a critical piece of this and is not really sometimes appreciated as a critical piece, so I am pleased that the president is making this kind of commitment.

Stewart Doan, Agri Pulse: I'm wondering what the analysis says about how U.S farm exports might be impacted over the various terms that were included in this analysis

Secretary Vilsack: I don't know that the analysis went into a great deal of impact or assessment of exports. I think what the analysis essentially did was to take a look at what costs might be potentially increased and obviously that was in two areas primarily, energy and fertilizer and how over the short term, medium term, and long term those process might be offset by an offset regime that is currently in the bill. You know I think the capacity of America's exports, we are very proud of the fact that we have very robust export opportunity in agriculture in this country. There is often discussion in this country of the trade deficit but very rely is there conversation about the foot note that in Agriculture there is a trade surplus. I would fully expect and anticipate that regardless of what happened here that we will continue to be aggressive on the export side, we will continue to look for opportunities as countries embrace new technologies, there is no question in my mind that we are going to new opportunity for America and I think that our

capacity to continue to be innovative, to continue to look at ways in which production can be more efficient, ways in which we can increase yields, will allow us the opportunity to continue to be very very aggressive in our export opportunities. So that is not a concern of mine at this point in time.

Roger Bernard, Pro Farmer & Farm Journal: What about provisions in the plan right now that could cause potential trade retaliation from Canada and other border tariff issues, and then also China's approach on things like cutting emissions where they are basically not even cutting their growth. How do you think that plays, and is that fair to U.S farmers and ranchers?

Secretary Vilsack: The border adjustment issue is a complicated one, and I have no doubt that this is going to be a topic of conversation when the Senate convenes on this and I think we can work through that. Every country is very interested in whatever happens here doesn't create an unlevel playing field. The goal here for any trade discussion has been to create a fair, level and, balanced trading field, that's one of the reasons why this administration has been so insistent on enforcement of trade agreements. You cannot have trade agreements that are fair unless they are enforced, you can't make agreements and then have one side disregard those agreements and consider that a fair agreement so I think enforcement is important and an important signal that the president and Ron Kirk is sending. At the same time we are seeing new opportunities open up. You know I think there are a multitude of opportunities here for American farmers when you take a look at the world population and population trends and there is no question that we are going to continue to see population growth. When you realize that the amount of land capable of producing crops, livestock, we are not going to be able to produce more land. In fact the chances are good that worldwide we are going to see a reduction of that because of expanding cities and urbanization of countries that have large rural communities, like China for example. Having recently come back from China, and having gone there 10 years ago as governor of Iowa, I can tell you that the expansion of their cities is nothing short of remarkable and every time cities expand, every time there is a new development, it means some of that potential cropland is being utilized for other purposes.

So I hope there is going to be a tremendous need for us to continue to be innovative, to continue to look for ways in which yields to increase. That is why I think it's important and that is why this administration has been focused on making sure we have a bio-technology strategy that works, That we can continue to look at science as a way of creating a new output to increase those yields.

So you know, I think it is really very easy in this day and age to get folks worked up about change, but the reality is the world is not static. The climate is changing, it is not static, we have to address this issue, and the longer we delay in addressing it the worse we will be to address it and the more difficult it will be to address it.

This just doesn't impact and effect climate change, the discussion that were going to take place in Copenhagen aren't just about climate change, they're about America's leadership position internationally and the capacity of America to be competitive in the future.

I can guarantee you that if America were to punt on climate change, they were to take the position that they weren't interested in dealing with this issue, they weren't going to be engaged in international conversations and discussions, they weren't going to make a meaningful effort to respond to this, the fact that we are a large emitter of greenhouse gases, I can guarantee you that our competitors in trade issue will use this against us in discussing with possible customers where products ought to come from and who you ought to be purchasing from.

And I just hear some of my, my good friends, who agriculture ministers being able to say we have addressed climate change, we are responding to climate change, America is not and that would be a persuasive thing for a lot of countries in terms of decisions they in terms of purchasing commodities and livestock that they can't produce themselves.

So this is about international leadership, it is about our capacity to remain competitive, it's even broader than simply climate change and I think we have to be aware of that, and I think we have to recognize that, and I think that is on the reasons the President is insistent on this being a part of our domestic agenda and I think he also recognizes the capacity for this to unleash the innovation that has always been America's advantage competitively, is unprecedented.

If you think about America's capacity and economic leadership, it has always been a result of our capacity to innovate. And there is no better opportunity for us then in this area of climate and energy. And I will also tell you as it relates to China, the fact that we now have China talking about, about energy intensity, economic reducing their energy intensity relative to the growth of their economy, the fact that they're even talking in specific numbers, is a significant step away from where they were twelve years ago, 24 months ago.

And I could also tell you, this is an area very focused on being the leader in innovation. They are making a commitment to renewable energy that is unprecedented for them and in some circumstances unprecedented globally. We cannot afford to let China get the edge on us in renewable energy and bio-fuels, and new technologies and smart grids, and transform energy efficiency and all of the issues that are involved in climate change, and all of the economic opportunity that's involved.

We cannot let them get the edge. We have always got to remain the innovation nation and uh, that is what I see here. I see as a tremendous opportunity and I think the President sees it as well, and I think this is the 1st time when you take a look of all is what is going on in rural America, with broadband expansion, with new energy opportunities, with climate change legislation, with our capacity to do a better job of linking local production and local consumption, and creating additional markets, and our continued stress of trade and opening up markets, I think we are on

the cusp of uh, some real new opportunities in rural America that we have not seen in quite some time. And I don't think we should be fearful of it, I think we should embrace it.

Susan Carter, USDA: I'm gonna thank Secretary Vilsack for coming in and talking about the opportunities for agriculture in climate change efforts and again USDA Chief Economist Joe Glauber is going to be on the hill today and tomorrow discussing this same issue. We are at ten after, five after the hour and we want to thank you for joining us, and that concludes this morning's briefing, I am Susan Carter.