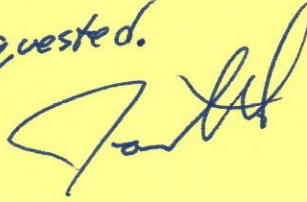


Todd,

Attached is the information
on the analysis, and
the analysis itself that
you requested.

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Farmers
Against
Climate
Treaty

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Executive Summary

GLOBAL CLIMATE CHANGE TREATY

Potential Economic Impact of the Global Climate Treaty on the Agricultural Sector

This analysis would suggest that a scenario of higher energy prices would have a significant negative impact on the agricultural sector at nearly all levels. Total annual U.S. farm production expenses would rise over \$10 billion under the low energy price scenario and more than \$20 billion under the high energy price scenario. Given that U.S. net farm income has averaged \$42.7 billion per year over the 1991 to 1995 period, this would represent a 24 percent and 48 percent decrease in net farm income under the respective low/high energy price scenarios.

Certainly the high energy price scenario has the potential for causing an economic downturn in the agricultural sector that could parallel the experience of the mid-1980s. Not only would net farm income be impeded in the short term but a downturn in land prices would shrink asset values and, most likely, result in another mini-Depression in the farm sector. The increased production costs are expected to reduce profits and income to farmers, and invariably slow farm loan and mortgage repayments. Consequently, this scenario also would bode poorly for lenders who are extending credit to farmers.

Although the low energy price increase scenario would be less dramatic, it would still have a significant impact on agriculture. Depending on how it was implemented, it would probably produce a situation of stagnation with low profits and slowly declining land prices over an extended period of time.

Another outcome of either scenario would be the increased consolidation of agricultural production. Many small farmers who typically have a higher average cost of production would be forced to sell to large farmers. Young farmers just starting or those farmers who have recently taken on increased debt to expand their operations could find themselves in an unprofitable situation that might force them to abandon agriculture. Not only would this impinge on lenders but it also would have an adverse economic impact on small towns and rural America in general.



**Farmers
Against
Climate
Treaty**

Fact Sheet

GLOBAL CLIMATE CHANGE TREATY

Background:

There is concern by some scientists that "greenhouse gas" emissions are causing increases in average global temperatures and adverse changes in the world's climate and weather. Greenhouse gases include carbon dioxide, nitrous oxide and methane.

The global climate change theory is controversial. Although the scientific body of the United Nations recently agreed that human activities appear to have a measurable effect on global temperatures, there is disagreement on the magnitude of the change, the role greenhouse gases play and the relative contribution from humans vs. natural causes.

Controversy notwithstanding, the U.S. State Department is leading efforts by 160 nations in establishing legally binding, numeric limits on greenhouse gases.

Treaty History:

In 1992, leaders from more than 100 nations signed an agreement known as the Framework Convention on Climate Change that called for voluntary, non-binding measures to limit greenhouse gases. The agreement, also called the "Rio Treaty," was ratified by the U.S. Senate in 1992.

In 1995, in Geneva, Switzerland, parties to the agreement took a dramatic new tack and committed to establishing mandatory, legally binding caps on greenhouse gases. The parties also agreed that these new limits would apply only to "developed" countries and will not apply to "developing" nations such as China, Mexico, India or South Korea.

The United Nations attributes more than 20 percent of all human-caused greenhouse gases to agricultural production. Included in U.N. regulatory proposals are new taxes on fossil fuels and fertilizer, prescribed changes in cultivation practices, and restrictions on production amounts for some crops and livestock.

The treaty would then be referred to the Senate for ratification and potential adoption into the U.S. law.

Farm Bureau Position:

Farm Bureau will oppose any climate change agreement that unfairly disadvantages American farmers and ranchers in the production and trade of agricultural commodities. Farm Bureau supports voluntary measures to reduce greenhouse gases until mandatory, enforceable, limits are justified.



Farmers
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Time Line

GLOBAL CLIMATE CHANGE TREATY

How the Global Climate Change Treaty Developed:

May 1992	Adoption of the United Nations Framework Convention on Climate Change, New York.
June 1992	Convention signed at the Earth Summit, Rio de Janeiro, Brazil.
October 1992	Convention ratified by the United States.
March 1994	Convention enters into force.
March/April 1994	First Conference of the Parties, Berlin.
July 1996	Second Conference of the Parties, Geneva
December 1996	Negotiating session, Geneva.
February/March 1997	Negotiating session, Bonn, Germany.
July/August 1997	Negotiating session, Bonn, Germany.

What's Scheduled to Happen:

Oct. 6, 1997	The White House will begin an all-out push for Global Climate Change Treaty.
Oct. 21-31, 1997	Final negotiating session, Bonn, Germany.
Dec. 1-12, 1997	Final Global Climate Change Treaty meeting and agreement, Kyoto, Japan.
January 1998	Ratification of the final agreement by participating nations begins.



**Farmers
Against
Climate
Treaty**

**Statement of the American Farm Bureau Federation
Presented by Bryce Neidig,
President, Nebraska Farm Bureau Federation
October 8, 1997**

Good morning. I am Bryce Neidig, a farmer from northeastern Nebraska near the town of Madison, where my family and I operate a corn, soybean and alfalfa farm. I am president of the Nebraska Farm Bureau and serve on the board of directors of the American Farm Bureau Federation, the nation's largest organization of farmers and ranchers, which I am representing today.

Few issues have galvanized agriculture like this one. You have heard this morning from a broad range of agricultural interests, including general farm organizations and commodity groups representing millions of Americans involved in agriculture. It might surprise you, but we do not always agree on all agricultural policy issues. But it's clear that we all have strong concerns about the impact of this treaty on U.S. agriculture.

Our concerns have been raised early and often, with negligible results. Last November, Farm Bureau and 17 other farm organizations detailed our concerns with the agreement and requested a full economic assessment of the agreement on agriculture. We have not received one.

Last November, a bipartisan group of 14 members of the Senate Agriculture Committee asked the Administration to provide other basic information before we complete final negotiations on the treaty. To our knowledge, little if any information has been provided in response to this request.

However, because of the leadership of Senator Byrd and Senator Hagel, similar concerns were conveyed to the Administration in July through Senate Resolution 98 which passed 95-0 with the strong support of labor, consumer, business and agricultural groups. Unfortunately, we still do not know the answers to these basic questions. Final treaty negotiations are scheduled in Kyoto, Japan, only six weeks from now.

Lacking information, we have attempted to provide our own. Included in your packets is an economic analysis by economists at the American Farm Bureau Federation.

Preliminary projections are based upon the Commerce Department's projection that a 25-cent per gallon increase may result from the agreement. Agriculture is energy intensive. With a 25-cent per gallon increase, our analysis projects a 24 percent loss in net farm income. Our economists believe that a 50 cent increase is more likely. This means that farmers will probably take an even bigger hit-- a 48 percent decrease in net farm income. Impacts for individual commodities range from a 20 percent reduction in net farm income for soybean producers to an 84.5 percent reduction in net farm income for hog farmers.

Economic impacts of this magnitude will hurt smaller, family farms most. Younger farmers, with proportionately higher debt could be forced to sell to larger-scale producers. Farm loans could be jeopardized and land values could fall. We believe that the proposed agreement has the very real potential impact of causing an economic downturn in the agricultural sector that would parallel the experience of the mid-1980s.

I'm a farmer, not a scientist. But I believe there is still a legitimate, active debate about the role of human-caused greenhouse gases, their role in climate change and the necessary action. Most important, we need to know what will be expected of American farmers and ranchers.

The current proposal for legally binding reductions in greenhouse gas emissions for developing countries is unacceptable to U.S. agriculture. That's why Farm Bureau has created FACT-- Farmers Against the Climate Treaty. We are inviting other agricultural groups to join. FACT is designed to accomplish changes, delay or withdrawal of the current agreement if our concerns are not met. Specifically, we are requesting that the Administration:

- 1) Withdraw U.S. support for legally-binding enforceable reductions in greenhouse gases and support continued voluntary efforts as prescribed by the 1992 Rio Summit.
- 2) Specify what controls or practices are likely to be imposed on agriculture as a result of legally binding, enforceable emissions reductions.
- 3) Complete a full economic analysis of the proposed agreement's impact on agriculture, including how and to what extent emission controls would disadvantage agricultural producers in this country compared to countries with less stringent controls or no controls at all.

Thank you. Now we will debut the 30-second T.V. advertisement focusing on agriculture's concerns with the climate treaty. Then we will take your questions.



**Farmers
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Treaty**

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Climate Treaty Would Cripple Farm Economy

FOR IMMEDIATE RELEASE

WASHINGTON, October 8, 1997-- The proposed United Nations Climate Change Treaty has the potential of "causing an economic downturn in the agricultural sector that would parallel....the mid-1980s," according to the American Farm Bureau Federation.

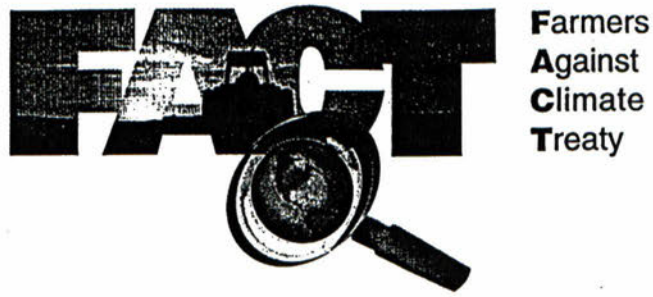
Speaking at a news conference here, Bryce Neidig, president of the Nebraska Farm Bureau, said the American Farm Bureau Federation was launching "FACT: Farmers Against the Climate Treaty." "Few issues have galvanized agriculture like this one has," said Neidig, who explained that AFBF was inviting other agricultural organization to join FACT.

Citing an analysis by AFBF economists, Neidig said the climate treaty, as it now stands, would cause at least a 24 percent loss in net farm income. That projection, he explained, assumes the imposition of a 25-cent tax on fuels to bring the U.S. in compliance with the treaty's goals for greenhouse gas emissions. He said, however, that industry estimates of a 50-cent per gallon tax increase is more likely, which would cause a nearly 50 percent plunge in net farm income.

(more)

The impacts, Neidig said, would vary by commodity. Net profits for corn growers could be slashed by 23 to 51 percent, depending on the amount of the fuel tax. Net profits for hog producers could be reduced 40-85 percent.

"Economic impacts of this magnitude will hurt smaller, family farms the most," said Neidig. "Younger farmers, with proportionately higher debt, could be forced to sell to larger-scale producers. Farm loans could be jeopardized and land values could fall."



Press Coverage
of the
Climate Change Treaty

(for background purposes only)

July 26, 1997

Page 1 of 1

Senate Advises Against Emissions Treaty That Lets Developing Nations Pollute

By Helen Dewar—
Washington Post Staff Writer

The Senate waded yesterday into two major environmental disputes with a proposed compromise on "dolphin-safe" tuna fishing and a warning that it will not approve a global warming treaty that endangers the U.S. economy.

Voting 95 to 0, the Senate approved a resolution urging the Clinton administration not to sign the proposed climate-change pact later this year in Kyoto, Japan, if it exempts developing countries from pollution limits imposed on industrialized nations and if it would result in "serious harm" to the American economy.

While not binding on the administration, the resolution sent a clear signal to the White House to push for changes in an agreement reached two years ago in Berlin to impose binding limits only on industrialized countries on grounds that they have produced most of the world's buildup of carbon gas pollution. Without those changes, the Senate signaled, the pact would have no hope of winning the two-thirds majority necessary for treaty ratification.

"I do not think the Senate should

support a treaty that requires only ... developed countries to endure the economic costs of reducing emissions, while developing countries are free to pollute the atmosphere, and,

A compromise on tuna fishing faces a vote Tuesday.

in so doing, siphon off American industries," said Sen. Robert C. Byrd (D-W.Va.), who co-sponsored the resolution with Sen. Chuck Hagel (R-Neb.).

"It's the developing nations that will be the biggest emitters of greenhouse gases during the next 25 years," Hagel added. "It is complete folly to exclude them from legally binding emission mandates."

The administration did not oppose the Byrd-Hagel resolution, and several officials said the resolution could be helpful as leverage to phase in limits for countries as they develop their industrial and pollution-producing potential. Sen. John F. Kerry (D-Mass.) dropped plans to try to amend the resolution after receiving assurances of flexibility

in negotiating timetables for compliance by developing countries.

"We are very strongly supportive of the resolution," Undersecretary of State Timothy E. Wirth said in a telephone interview. "We believe it strengthens our hand" for the Kyoto round of negotiations, he added.

"This is consistent with everything we have called for at the treaty talks," said Philip E. Clapp, president of the Environmental Information Center. "It endorses the science on global warming and begins the process of engaging developing countries on their greenhouse gas emission reductions."

The tuna compromise, proposed by Kerry and endorsed by senators on both sides of the long-raging dispute, would lift the current embargo on tuna caught with encircling nets and require a government study on whether dolphins are being adequately protected when the nets are used under new procedures aimed at rescuing the inadvertently ensnared animals.

If the study finds that dolphins are not being harmed, tuna caught under these procedures should be sold with the coveted "dolphin-safe" label after March 1999, subject to further review in 2001 and 2002.

An earlier proposal, similar to leg-



BY RAY LUSTIG—THE WASHINGTON POST

SEN. ROBERT C. BYRD

... opposes global pact as written

islation passed by the House, would have allowed use of the safe label before a study was completed. It deeply divided the environmental community. Kerry said the Clinton administration supported the compromise and added that he believes it will satisfy most environmental groups, although some expressed skepticism yesterday.

The compromise is scheduled for a Senate vote Tuesday. Differences between the House and Senate bills would have to be resolved by a conference.

Staff writer Joby Warrick contributed to this report.

POLITICS & POLICY

Gore Faces Cool Response to Issue of Global Warming

By JOHN J. FIALKA

Staff Reporter of THE WALL STREET JOURNAL
YELLOWSTONE PARK, Wyo. — The sun shines boldly after a week of rain. Wildflowers decorate the high meadows behind him. An Army band at his side blares away. And 14 park rangers sit stiffly on horseback as a local woman introduces him as "Mr. President."

Vice President Al Gore then ticks off environmental victories of the Clinton administration as he celebrates the park's 125th birthday. But on the long trip back to the East Coast on Air Force II, Mr. Gore earlier this month began to explore with his aides a goal that so far has proved elusive: How to explain the complex threat of global warming to a nation that seems all but unconscious of it.



Al Gore

Even for a man who has tied his political career to environmental causes like few politicians have before him, this cause definitely won't be sunshine and wildflowers. And Republicans are lying in wait on the issue if Mr. Gore does make a bid for the White House in 2000. "If he can convince Americans that global warming is occurring, and that, in order to prevent this catastrophe, they really don't have to give up that much, he will be a hero," says Tony Fabrizio, a Republican pollster. "If not, he'll be a dog."

A major early test looms for the vice president and the Clinton administration. Final deliberations for an international treaty controlling emissions of carbon dioxide and other so-called greenhouse gases are scheduled for December. Yet the U.S. hasn't staked out a firm position. European allies and Japan want the U.S. to adopt tougher pollution controls. But the administration and Mr. Gore, who would count on labor support if he runs in 2000, are being pushed in the other direction by unions and business groups, which cite potential damage to economic growth and jobs.

Hard Sell

Mr. Gore has learned from many years of trying that getting Americans to think about global warming is a very hard sell. Unlike other forms of pollution, global warming offers few opportunities to dramatize it. Carbon dioxide, which tends to

trap more of the sun's heat, is invisible. While the majority of climate scientists now predict the economic damage from the man-made output of this pollutant—largely from burning fossil fuels—will be severe, it is expected to come on gradually over the next century as the sea level inches upward, as storms become more violent, and as agricultural land begins to dry out.

If Mr. Gore can't persuade the public, Mr. Fabrizio believes it would open the vice president to ridicule, making him vulnerable to some Republicans, who, he says, are itching for the opportunity to dredge up parts of his 1992 book, "Earth in the Balance." In the book, Mr. Gore talks about the need for a carbon tax and ridicules Americans' dependency on gas-guzzling big cars as making "little sense" in the face of a global-warming crisis.

Other polling tends to support Mr. Fabrizio's skepticism. Repeated polls show a loss of faith in the federal government. One done by the nonpartisan Pew Research Center in Washington shows that while over 80% of Americans want stricter laws to protect the environment, the percentage of those willing to make economic sacrifices to do that dropped from 67% to 57% from 1992 to 1994.

Focus Group Test

The Alliance to Save Energy, a business group promoting the sale of more energy-efficient appliances as a response to global warming, recently explored the problem using a focus group of homeowners, college graduates in Bethesda, Md., an upper-middle-class suburb of Washington. During the discussion the skeptics tended to convince others that climatic change wasn't happening while an incredulous moderator looked on. Cynicism about government played a large role.

Participant 1: "But of course it [global warming] gives them [scientists] more grant money to keep up their jobs, to keep doing that type of research."

Moderator: "So it is a political agenda?"

Participant 2: "Yes, it is."

Participant 1: "I think some of it is."

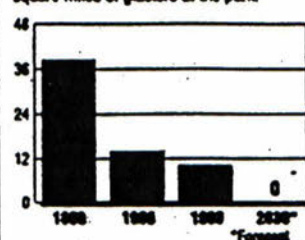
Participant 3: "If I'm watching TV, and I hear that [global warming], I laugh at it. Or I don't worry about it."

David Nemtsov, president of the alliance, says the results of its research show the White House "clearly has a lot of educating to do."

Mr. Gore first ran into skepticism on the issue among the public and the media

The Big Meltdown

Shrinking glaciers at Glacier National Park in Montana have been cited by Vice President Al Gore as a sign of global warming. Chart shows square miles of glaciers at the park.



Source: U.S. Geological Survey, Biological Resources Division

during his aborted 1987 campaign for president. Since then, he has made a powerful convert in President Clinton, who recently invited top scientists to a White House symposium on global warming. There Mr. Clinton conceded that, at first, he didn't understand the issue either: "I became convinced first that he [Mr. Gore] was convinced that something was wrong." The president has scheduled another White House forum on the matter for October.

Environmental groups are bullish about Mr. Gore's promotional skills on what they assert can be a powerful political issue. "We've never seen anything like this," says Dan Weiss, political director for the Sierra Club. Mr. Weiss says his group's polls show that environmental issues have become an increasing powerful tool, especially in the suburbs where younger Republicans can be wooed away from their usual candidates.

Next month, the Environmental De-

fense Fund will try to define the issue more sharply by releasing a study that projects the impact of global warming on New Hampshire—one of the nation's most politically sensitive states. It will show how projected warming trends could damage the state's tourism industry, driving the sugar maple further north, reducing snow accumulations for skiers, and making autumn coloration more gradual and less attractive. "We just think there's a way of telling stories about it that brings it closer to home," explains Bill Roberts, a senior attorney with EDF.

One of the ideas kicked around on Air Force II is for Mr. Gore to take reporters to Glacier National Park in Montana. There they would probably hear Daniel Fagre, a glacier expert for the U.S. Geological Survey, explain how a computer model shows that continued warming will wipe out the park's entire collection of glaciers, some 76 in all, by 2030.

Skeptics who remain unconvinced would be invited by Mr. Gore to take a five-mile hike with him up a mountain to visit the park's mile-long Grinnell glacier. According to Mr. Fagre, it has shrunk 62% since the industrial revolution began around 1850.

All of this makes Mr. Gore very appealing to Theodore Roosevelt IV, a managing director at Lehman Brothers Inc. in New York. A Republican and an ardent conservationist, he recalls that his great-grandfather—the former president—also liked to charge up mountains without consulting the polls first.

"Gore is very good on global warming. He would have been more aggressive on this than Clinton," Mr. Roosevelt says. The president is "not an environmentalist. It doesn't stick in his gut the way it does with Gore."

The Heat's On

The pressure is on the Clinton Administration over global warming. Business groups and labor allies warn that a proposed treaty could harm the economy. But environmentalists say that the United States must adopt aggressive measures to reduce carbon dioxide emissions.

BY PETER H. STONE

Early June was a bit chilly by Washington standards. But the Clinton Administration and Congress were taking plenty of heat from industry and union lobbyists anxious about a proposed global warming treaty that 167 industrialized nations might sign this December in Kyoto, Japan.

Consider a recent resolution that Sen. Robert C. Byrd, D-W.Va., introduced after some intense lobbying by the National Mining Association and large labor unions. It urges the Administration not to sign a treaty that could result in "serious harm" to the economy or that would limit greenhouse gas emissions in the United States, but that does not impose specific restrictions and similar timetables on developing nations. The resolution has quickly garnered more than 60 co-sponsors, thanks in part to a blitz by auto and oil industry lobbyists.

At the same time, the Business Roundtable has launched a \$1 million print advertising campaign that raises questions about the proposed treaty's impact on the U.S. economy and stresses the need for more study and debate on the issue.

The Administration seems to have heard the chorus of dissent. In late June, President Clinton told a U.N. earth summit that he was not ready to provide specific targets for the pact. Instead, Clinton said that he would host a White House conference early this fall to educate the public about the scientific and economic effects of the treaty and that by year's end the United States would be ready to commit to binding emission limits.

But Clinton's balancing act didn't placate either environmental allies or European leaders, who want to move aggressively to curb global warming, which is caused mostly by the burning of fossil fuels. Nor did Clinton satisfy business critics, who worry about job losses and reduced competitiveness.

"The President still asserts that he wants legally binding commitments coming out of Kyoto," said William F. O'Keefe, the chairman of the Global Climate Coalition (GCC) and the executive

vice president at the American Petroleum Institute, which is one of the treaty's harshest critics. "I view that as unnecessary and unwise. I regard the policies being contemplated by international negotiators as tantamount to Russian roulette. There's a rush to judgment."

The coalition and its allies have assembled an army of lobbyists, grass-roots groups, public relations firms and consultants to press Congress and the Administration to adopt a more pro-business stance during the treaty negotiations. Their missions are to poke holes in the science behind the proposed treaty and to raise questions about its impact on the economy.

Meanwhile, environmentalists and some industries are encouraging the United States to take a leadership role in reducing the greenhouse gases, such as carbon dioxide. Since the United States now produces 20 per cent of these gases, they argue, it is the responsibility of the industrialized world to act first and to let developing countries initially adopt voluntary restraints.

"Start early and start small and lead with the expectation of being followed by the developing countries," said Michael L. Marvin, the executive director of the Business Council for Sustainable Energy, a group of about three dozen trade associations. Council members, including natural gas, renewable energy and energy-efficient technology companies, could stand to profit from tough global regulation. "Any economic analysis has to consider not only the costs of action, but also the costs of inaction."

For the Administration, finessing these multiple pressures may prove difficult. Two of its key constituencies—labor and the environmental community—are on opposite sides of this issue.

Further, some treaty critics are trying to split the Administration on the issue. Anti-treaty lobbyists are looking for Cabinet allies sympathetic to the economic arguments against the accord. "My own view is that there's a deep division within the Administration on this issue," O'Keefe said.

The treaty negotiations under way this year are a sequel to the 1992 Rio de Janeiro Treaty on global warming that was signed by the Bush Administration and ratified by the Senate. It urged the industrialized nations to reduce greenhouse emissions to 1990 levels by 2000 if possible. The treaty also called on devel-

opment countries to begin to reduce their greenhouse gas emissions.

But the voluntary strategies haven't succeeded. Indeed, the United States is expected to increase carbon dioxide emissions by about 13 per cent during this decade.

BINDING LIMITS

It's the proposed treaty's imposition of binding limits and timetables only on developed countries that has created a dustup in Washington. Several big industries, labor and consumers would be affected by the global accord.

The Clinton Administration is expected to back mandatory targets and timetables as part of the effort to reduce greenhouse gases to 1990 levels by 2010.

The Administration probably won't urge new taxes to help cut emissions. Instead, it is promoting flexible plans—including an emissions-trading policy that would allow companies and countries to reduce carbon emissions by swapping "emissions permits" with other polluters at home or abroad.

Still, some energy-intensive industries would have to change their energy use significantly for the United States and other nations to achieve the treaty's mandatory emissions reductions.

Some big American industries will have to adopt new energy-efficiency mea-

asures, switch from coal and oil to cleaner fuels or introduce new energy-saving technologies.

Skeptics in the scientific and corporate communities scoff at the urgency of the global warming problem. Treaty critics have not stinted in funding and touting their own research.



Byrd: His global warming resolution is backed by the coal industry and unions.

But a 1995 U.N. panel on climate change found evidence that "suggests there is a discernible human influence on global climate." The report concluded that by 2100 the earth's atmosphere would heat up by 1.8-6.3 degrees and that this change could cause severe flooding, the extinction of some animal and plant species and food shortages.

In recent months, the debate over the treaty has increasingly shifted to an ideological battle over its economic ramifications and over conflicting analyses of just what impact it would have on the U.S. economy.

Critics of the U.S. negotiating position are especially worried about the economic fallout for the United States that, they say, will occur because the pact treats developed and developing countries differently.

The State Department has suggested that the developing nations could craft emission reduction plans by 2005 and take voluntary steps immediately.

Many business and labor lobbyists argue that a treaty that doesn't stipulate terms for the immediate involvement of developing countries—including China and India—poses huge risks for the U.S. economy and environment because early in the next century these nations are expected to produce more than half of the world's greenhouse gases. The merit of their argument, the lobbyists add, is underscored by an Energy Department

report that predicts that six industries—aluminum, cement, chemicals, iron and steel, paper and petrochemical refining—would be seriously hurt by such a treaty and would move parts of their operations abroad. These conclusions were based on a scenario of what would happen if the United States imposed energy taxes to cut greenhouse gases, an option that the Administration has rejected.

"The fact is, that the Administration is embarked on a fairly reckless approach to the climate change negotiations," said James W. Cicconi, a partner at Akin, Gump, Strauss, Hauer & Feld in Washington who represents Mobil Corp., a strong critic of the Administration's stance on the negotiations. "Unless they reassess their approach, it will do serious damage to the U.S. economy," added Cicconi, a former top official in the Bush White House.

But these fears are overblown, according to environmentalists and some prominent economists. They note that early this year more than 2,000 economists, including eight Nobel laureates, signed a statement saying that the United States could reduce greenhouse gases in a way that wouldn't restrict economic growth or sacrifice jobs.

Moreover, according to *Business Week*, an early draft of an Administration study shows that the impact on the United States of meeting the proposed global standards would be slight. The price of coal would triple, according to the draft, but global warming requirements would lower the U.S. gross domestic product only 0.15 per cent by 2010. "There's a lot of misinformation on climate change and its purported effects on the U.S. economy," Marvin of the Business Council for Sustainable Energy said.

LOBBYING MELEE

With the Kyoto meeting just five months away, the lobbying effort to shape the Administration's position has become highly charged. Many critics have put their lobbying muscle behind the Byrd resolution, which is expected to come up for a Senate vote before the end of July; that would be well timed to send a signal to American and other negotiators who will be meeting in late July in Bonn for a round of the global climate talks.

The Global Climate Coalition, with about 60 corporations and associations on its board, is the most vociferous critic of the proposed treaty. Its members include the API, the American Automobile Manufacturers Association (AAMA), the American Farm Bureau Federation and the National Mining Association (NMA). The coalition, which has an annual budget of about \$1.2 mil-

lion, has long challenged the science behind the fears of global warming. The group and its members have helped pay for studies raising questions about the seriousness of the climate change.

More recently, GCC members have commissioned economic impact studies on global-warming proposals from Charles River Associates in Cambridge, Mass., and WEFA Inc. that provided ammunition for the coalition's lobbying and public relations drive. The coalition has tapped the Washington office of Ruder-Finn, the New York City-based PR firm, to help spread its message.

In recent weeks, many of the coalition's leading members played a big part in helping to round up endorsements for the Byrd resolution. Some of the most aggressive lobbying for the resolution was conducted by the NMA, which in early June sent approximately 40 chief executives up to Capitol Hill, where they visited more than 50 Senators. Byrd introduced his resolution shortly after he met with executives from several coal companies—including Peabody Coal Co., which is headquartered in West Virginia.

"I'd hope that the Byrd resolution would send a strong signal to the Administration that developing countries should also be required to cut emissions," NMA president Richard L. Lawson said.

Byrd agrees. "My hope is that this [resolution] will result in getting on board the developing countries so they will... commit to reductions in greenhouse gases in the same period," Byrd said.

Still, Byrd, unlike some of the champions of his resolution, acknowledges that global warming is a real threat. "Conditions are not like they were when I was a boy," he says. "I see storms, floods and turbulence in the atmosphere. I'm convinced that there's something to this business of global warming."

But to keep the heat on the Clinton Administration and its negotiators, some of the coalition's biggest players have decided to expand their own PR efforts. After Byrd introduced his resolution, for example, the AAMA, along with several other big associations and one labor union took out full-page ads in *The Washington Post* and the *Denver Post* to trumpet the Byrd initiative. The AAMA has also recently hired Ketchum Public Relations to help with its media efforts.

Robert Moss, the auto group's top lobbyist, complained that the negotiations are being conducted by the environmental ministers of industrialized nations without adequate input from the appropriate finance and economic ministers.

Labor criticism of the treaty has also increased notably in recent months, from both the AFL-CIO and other key unions, such as the United Mine Workers of

America. The UMW actively backed the Byrd resolution and retained former union official John Jarvis, who is now a name partner in the Washington-based lobbying firm of McGlotten & Jarvis.

Further, some grass-roots groups that are close to GCC members have started exerting pressure on Congress and the Administration, too. For instance, the Coalition for Vehicle Choice, a group that claims to have 40,000 members nationwide, has made sinking the proposed treaty a priority.

Diane Steed, the coalition's president, said that since early this year, the group has delivered about 100 briefings and speeches on problems with the treaty. In late June, several of the group's biggest members, including the Farm Bureau and the National Cattlemen's Beef Association, held a press conference in Nebraska to highlight criticism of the treaty.

Another grass-roots goliath, Citizens for a Sound Economy (CSE), which claims some 250,000 members nationwide, is also starting to actively oppose the treaty. CSE has begun organizing events to counter public meetings that the Environmental Protection Agency (EPA) has been hosting with scientists and local officials. In late June, CSE sponsored a forum in Boston that featured Robert Balling, a leading critic of global warming theories. It took place the same day that EPA held a Boston meeting.

The U.S. negotiating stance also faces pressures from the Climate Council, an organization that keeps a low profile and lobbies at the international negotiating sessions. Donald H. Pearlman, the council's executive director and a partner at the Washington law firm of Patton Boggs, says the council's members are mainly coal and electric utilities. Its positions are very similar to the GCC's, and many of its members belong to the GCC.

Some business groups and coalitions that are not as critical of the proposed treaty as are the GCC and its allies have also stepped up pressure on the Administration.

The Business Roundtable (BRT), which comprises more than 200 corporate chief executives, also wants to ensure that there's ample public discussion of the treaty's economic consequences. It has retained the high-powered Washington public affairs firms Powell Tate and

Ketchum Public Relations to spread its message and to produce its \$1 million ad blitz.

BRT chieftains themselves have also revved up their efforts. In a recent letter to Clinton, FMC Corp. chairman Robert N. Burt, who heads a BRT task force on the environment, wrote that U.S. policy "must include the developing countries" and called for details about the Administration's targets and timetables.

The BRT efforts got Clinton's attention. In mid-June, Clinton addressed the annual dinner of the BRT executives in Washington and said that he wanted to work with the group. But he also pointed out to the BRT executives that the United States has experienced "more-extreme weather conditions in the last five years than in the previous 30."

Last month, Burt and two other BRT executives also met with Commerce Secretary William M. Daley, who is considered sympathetic to business concerns, to press him about the Administration's positions on global warming.

"The Administration has said that the



O'Keefe: "There's a rush to judgment" on global warming.

science is compelling, but the BRT says it's complex and inexact," Burt said in an interview. But he added that the Roundtable wants to ensure that the United States doesn't "take on obligations that would reduce [its] competitiveness."

From June 11-13, approximately 40

BRT executives visited some 60 Members of Congress and had dinner with the Democratic congressional leadership to make their concerns known. Some of the executives also met with Treasury Secretary Robert E. Rubin, who is deemed a potential ally on the issue.

THE GREEN TEAM

In response to the rising opposition of industry and labor critics, numerous environmental groups are stepping up their efforts to ensure that the United States signs a strong treaty sooner rather than

The environmental groups have also organized a number of conference calls to put editorial writers in touch with scientists able to brief them about the regional impacts of global warming. And efforts are under way to build grass-roots coalitions. One of the coalitions, which is made up of leaders of the National Religious Partnership for the Environment, will play a lobbying role in Washington if a treaty comes up for Senate ratification.

Some environmental leaders argue that treaty critics are increasingly using dubious economic arguments to delay action on global warming. "I think that



Lawson: "I'd hope the resolution would send a strong signal to the Administration."

later. Much of the environmentalists' fire-power comes from a tightly coordinated coalition of environmental groups that has launched a multimillion-dollar drive to build public support. Some of the biggest groups, such as the Environmental Defense Fund, the Environmental Information Center, the Natural Resources Defense Council (NRDC) and the Union of Concerned Scientists are leading the charge. The effort is being coordinated by the U.S. Climate Action Network, an environmental umbrella group that focuses on global warming.

The environmental groups have three basic goals. To be effective, they say, a treaty should have binding limits, reductions beginning in 2005 and substantial emissions curbs in the United States.

At the grass-roots level, the coalition in recent months held several town meetings in Austin, Tex., Boston, Miami, San Diego, San Francisco and Seattle. The meetings were held to argue that global warming can have serious regional impacts and to counter industry arguments that the science is still too uncertain to justify taking action.

many industry groups—especially coal and oil—have used junk science for years to undermine policy responses to global climate change," says Daniel Lashof, the NRDC's chief scientist. Lashof adds that a recent study by environmental groups concludes that greenhouse gases could be cut 10 per cent below 1990 levels by 2010 if industry adopted more energy-efficiency measures and used more renewables and, furthermore, that these changes would produce a net gain of 700,000 jobs. The new jobs would come in part from increased investments in new technologies.

Early action on global warming is also being pushed hard by Marvin of the Business Council for Sustainable Energy. "It's been our position that the developed countries should lead," said Marvin, whose group includes such giants as the American Gas Association, Enron Corp., Honeywell Inc. The council, which has about three dozen members and an annual budget of \$500,000, has been pushing for the United States and other industrialized nations to stabilize their global warming emissions by 2005.

The council has taken out a half-page ad in the weekly Washington newspaper *Roll Call* to tout its positions. It is looking for a PR firm to coordinate the group's media campaign.

DECISION TIME

The lobbying effort facing the Administration is likely to snowball. And it could cause a political headache for Democrats because of the conflicting views of two key party allies—labor and the environmentalists. The split could be particularly painful for Vice President Al Gore, given his presidential aspirations and his long-time role as the Administration's champion of action on global warming.

The Administration seems to have opted for a public education effort that includes the White House conference on climate change this fall. In early July, the Administration also announced that White House staff secretary Todd D. Stern would be Clinton's point man on global climate change. Stern will focus on the upcoming conference and try to improve public understanding of the issue and the Administration's position.

"I'd say this issue is gearing up in all quarters," said Dirk Forrester, the chairman of the White House Climate Change Task Force. "I think a number of Cabinet players are going to be increasingly involved." Besides the State Department, which has taken the lead on global warming, the Agriculture, Commerce and Labor Departments are following the issue, he said.

Business has increasingly focused its efforts on winning friends in both Congress and the Administration. "I've been told there's a debate between people in economic positions and people in Gore's office and State," said O'Keefe of the Global Climate Coalition.

Perhaps in response to the muscle and concerns of business and labor, Clinton announced in his U.N. speech some modest steps to curb emissions in the developing world that may be harbingers of other Administration plans to mollify critics. The President pledged \$1 billion in aid to help developing countries develop alternative energy sources. Some projects that the United States helps to finance abroad would have to meet new environmental standards.

But O'Keefe, who said that he was "greatly disappointed" with Clinton's conclusions about the "clear and compelling" science behind worries about global warming, isn't likely to be satisfied by the Administration's steps.

Indeed, before the fight is over, the lobbying battle is likely to resemble one of those turbulent storms that some attribute to global warming.

TUESDAY, SEPTEMBER 9, 1997

Experts on Climate Change Ponder: How Urgent Is It?

By WILLIAM K. STEVENS

WITH the nations of the world counting down to a Dec. 10 deadline for negotiating cuts in emissions of heat-trapping greenhouse gases that many scientists say are altering the earth's climate, a fundamental question continues to pervade the debate:

Just how urgent is the problem of climate change?

The problem has often been perceived as lying off in the dim future — a century away, say, since that is the time scale on which most analysis of the question has been based. It can be very hard to get excited about something that seems so remote. "We see the train coming," President Clinton said not long ago, "but most ordinary Americans in their day-to-day lives can't hear the whistle blowing."

Mainstream scientists say that the whistle is getting louder all the time, that many signs of a changing climate are already evident. On the night of Aug. 20 and 21, for instance, a cloudburst poured up to nine inches of rain on New Jersey in three hours. No conclusions about climate change can be drawn from a single downpour. But it provided one more data point in what Government scientists say is a clear trend in the United States: heavy rainstorms have become more common, making damaging floods more likely, and over all it is raining more than it used to.

THE WARMING WORLD

Coping With Climate Change

Other parts of the world have also experienced increases in precipitation in this century. And while the trend's association with global warming is not yet firmly nailed down, mainstream scientists say it is precisely, and unsurprisingly, what would be expected as the earth's atmosphere heats up.

The average surface temperature of the globe has risen by about 1 degree Fahrenheit in the 20th century, and about half a degree in the last 40 years — with temperatures generally rising more the farther away one gets from the Equator. A warmer atmosphere sucks up more water from the oceans and in general makes more moisture available to developing storms. Observations show that atmospheric water vapor has increased. Therefore, the scientists say, global warming may well be revving up the planet's rainmaking machine.

A rainier world is just one of several climatic changes already observed that are associated with the warming, scientists say. Temperatures have risen more at night than in the day, portending milder winter evenings but also more deadly heat waves. Experts, for instance, attributed the record death toll in Chicago's 1995 heat wave mainly to a combination of unusually high nighttime temperature and humidity.

The area of the Northern Hemisphere covered by snow has generally declined in the last 25 years. Mountain glaciers have receded in many areas. Sea level has risen as warmth has caused the water to expand. Spring comes earlier and fall arrives later in Northern latitudes, which have become about 10 percent greener.

"The climate reality is that if you look out your window, part of what you see in terms of the weather is produced by ourselves," said Thomas R. Karl, senior scientist at the National Climatic Data Center in Asheville, N.C. "If you look out the window 50 years from now, we're going to be responsible for more of it."

Mr. Karl has not been known as a doomsayer on the question of global warming. It was he and his colleagues who analyzed 20th-century climatic data for the United States and southern Canada and found that both overall precipitation and the frequency of intense rainstorms and snowstorms had, on average, increased by about 10 percent over the century. Intense storms were defined as those in the top 10 percent, in terms of the amount of precipitation delivered, at the start of the century.

The trend, said Mr. Karl, is consistent with what would be expected in a world made warmer by greenhouse gases — principally carbon dioxide, which is produced by the burning of coal, oil and natural gas.

This is only the beginning, if a panel of more than 2,000 scientists advising the world's governments is right. While no one is predicting apocalypse any time soon, the scientists' best estimate is that the world will warm by more than another half degree in the next 20 years if greenhouse emissions are not reduced (although the underlying trend would surely be modified from time to time by natural climatic variations). With another half degree of warming, the average global temperature would approach the highest experienced in the 10,000 years since the last ice age, said Dr. Thomas J. Crowley, a paleoclimatologist at Texas A & M University.

A century from now, according to the scientific panel's best estimate, the earth's surface will be some 3.5 degrees warmer than in 1990. "You have to go back millions of years to find global temperatures like that," said Dr. Crowley. By way of comparison, it was 5 to 9 degrees colder in the depths of the last ice age.

The panel predicted that the warming would bring widespread climatic, environmental and economic dislocation. Some benefits are expected to result, including longer growing seasons in Northern Hemisphere breadbaskets and more robust plant growth stimulated by increased carbon dioxide. But many effects would be adverse, including intensified cycling of water through the ocean-atmosphere system that would result in both more frequent and severe floods and droughts; it would rain harder but things would dry out more and faster between storms. Sea level is expected to rise by about a foot and a half, inundating many low-lying coastlines. Climatic zones would shift away from the Equator, upsetting natural ecosystems. Entire forest types might disappear. Agriculture in some parts of the world, especially Africa, might be devastated. The geographical range of tropical diseases would expand.

Not all scientists agree with Mr.

People may be making rain by warming the globe.

Karl and the international scientific panel, and the disagreement is symptomatic of a more general, nagging uncertainty that plagues all efforts to gauge the urgency of the climate problem. The uncertainty also complicates the task of negotiators from around the world as they struggle to determine how much and how rapidly greenhouse gas emissions should be cut. The negotiators' next session is in Bonn in late October, with a final session in Kyoto, Japan, in the first 10 days in December.

"Yes, there have been these big climate changes, but I think they're all natural," said Dr. William M. Gray, a climatologist at Colorado State University in Fort Collins who has been skeptical that greenhouse gases are altering the climate. "I respect Tom Karl a lot, but I don't agree with his interpretation of his data." Another skeptic, Dr. Richard S. Lindzen of the Massachusetts Institute of Technology, says that the natural system has built-in resilience — "it has to wobble a bit" — and that the observed changes are an expression of this. Since he believes that global warming is expected to amount to little, Dr. Lindzen believes there is little or no urgency.

The potential Achilles' heel in the mainstream scientists' projections of future climate is that they are based on computerized models of the atmosphere's response to estimates of future greenhouse gas emissions. Everyone agrees that the models are imperfect, and Dr. Lindzen goes so far as to liken them to Ouija boards, but many experts believe they are steadily improving and becoming more realistic. In any case, they say, there is no other way to even begin to cope with the atmosphere's complexities.

The international panel of scientists, which was established by the United Nations and is called the Intergovernmental Panel on Climate Change, relied heavily on the models in rendering its landmark judgment, two years ago, that "the balance of evidence suggests a discernible human influence on global climate." The cautiously phrased statement, a compromise product of intense discussions, was a watershed in the climate debate because until then the

panel had always said the observed warming and attendant climate changes could have been a result of natural variability.

Since then, some opponents of action to cut greenhouse gases have seized on an article in the May 16 issue of the journal *Science*, which dealt with uncertainties surrounding the panel's conclusion that humans are probably altering the climate, to suggest that the uncertainty has grown.

But that is disputed by the chief author of the intergovernmental panel's chapter on detection of human influence on climate. The scientist, Dr. Benjamin D. Santer of the Lawrence Livermore National Laboratory, who was quoted in the *Science* article, said in a recent interview that further studies have not only reinforced the original conclusion, but might even strengthen it. And in a recent open letter, he said that despite large uncertainties, "the question is not whether, but rather to what extent" greenhouse gases are influencing the climate. The best evidence, he wrote, "suggests that the human component of climate change is not trivially small."

The size of that component remains, perhaps, the major uncertainty in gauging how urgent the climate change problem is.

But if the intergovernmental panel is right, the average global surface temperature will rise by about a third of a degree Fahrenheit per decade over the next century if greenhouse gases are not reduced.

Many scientists believe that no matter what action is taken in Kyoto,

some substantial measure of future warming is already assured.

"We haven't seen the full ramifications" of the greenhouse gases already emitted, said Dr. Kevin Trenberth, a climatologist at the National Center for Atmospheric Research in Boulder, Colo. The reason is that built-in inertia, mainly stemming from a drag on heating exerted by the oceans, prevents the climate system from reacting immediately to the emissions. Only about half the warming potential of greenhouse gases already in the atmosphere has

Climate forecasts depend entirely on computer models.

been realized, said Dr. James E. Hansen, a climatologist who directs the NASA Goddard Institute for Space Studies in New York.

What this means, he said, is that even if greenhouse gas emissions suddenly ceased today, "you'd get a few tenths of a degree" of global warming in the next quarter century.

But emissions are not going to cease now, since any policy adopted in Kyoto would require some time to have any appreciable effect. This means that atmospheric concentrations of greenhouse gases would continue to grow. "You can't turn that off" right away, said Dr. Trenberth. He noted that even if emissions were reduced to 1990 levels — a target that most industrialized nations are already failing to meet — atmospheric concentrations would continue to rise indefinitely. This is because the 1990 levels were already so high.

Dr. Hansen says that "what we do now is not going to have much influence on climate change in the next couple of decades; the main impact of changes we make now will be 50 and 100 years downstream." Consequently, he believes, climatic change is going to become "more apparent over the next decade or so." Dr. Hansen has long been a firm adherent of the view that greenhouse gases are the major cause of the observed warming.

Some scientists, while convinced that humans are changing the climate in important ways and that greenhouse warming is a serious issue, believe that taking no action now would have little appreciable climatic effect. One is Dr. Tom Wigley of the National Center for Atmospheric Research, who said, "Just from a pure climate point of view, another 20 years of doing nothing is unlikely to mess things up." He acknowl-

edged that many experts would not agree, and quickly added, "I'm not saying we should do nothing for 20 years." For one thing, he said, "the longer we delay, then the more we have to do later."

How much to do now is the crux of the discussions that will culminate in Kyoto. The decision is complicated by the fact that while the intergovernmental panel estimated a 3.5-degree increase in average global temperature by 2100, it also said the increase could be as low as 2 degrees and as high as 6.

This poses a dilemma, in the view of Dr. Michael E. Schlesinger, a climatologist at the University of Illinois at Urbana-Champaign: If the warming is on the low end of the panel's estimate and the Kyoto delegates decide to do too much, it will be too costly to the world economy. But if it is on the high end and they decide to do too little, climatic damage will be too high and it will still be too costly.

What should governments do? "We should not do nothing and hope for the best; that's crazy," Dr. Schlesinger said. "On the other hand, we shouldn't do everything, either; we don't want to squander resources on something that might turn out to be a nonproblem." He and others call for an adaptive strategy in which at least some action is taken now, and then both the climatic effects and the economic cost of acting are periodically reassessed. Mid-course corrections would be made as needed. This principle is, in fact, built into the 1992 Rio treaty on climate change, under which the present negotiations are proceeding.

But then a further difficulty arises, in Dr. Schlesinger's view. Since the effects of any emissions reductions undertaken now would not be apparent in the next two decades, it would be impossible to tell for some time whether the right thing was done. And if the reductions did subsequently succeed in mitigating the warming, that very fact would make it harder to know how serious the warming would otherwise have been, and therefore what further action might or might not be needed.

"That," said Dr. Schlesinger, "is what's so difficult about this cockamamie problem."

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The myth of global warming

Cure for an imaginary ill could prove to be very expensive

By Ryan H. Sager

This December, world leaders will meet in Kyoto, Japan, to amend the United Nations Framework Convention on Climate Change (known more commonly as the "Rio Treaty") to mandate that signatory nations reduce their emissions of carbon dioxide by a specified amount by the year 2020. Such an agreement, if enforced, could cost the United States over a million jobs a year and several percent of its GDP, yet the Clinton administration has indicated it will sign.

The treaty will not be binding, however, unless the U.S. Senate ratifies it. In attempting to sell this treaty to the Senate and the American people, the Clinton administration will have to try to justify why the United States should undertake a huge economic burden in order to battle a problem which more and more scientists believe may not exist, may have little to do with human behavior if it does exist and which may not be so bad in either event.

Once considered a small contingent of the scientific community, critics of the theory of global warming have become increasingly numerous and vocal in recent years. And what's more, their arguments against the theory are very convincing. A close look at the facts surrounding global climate reveals why:

First, it is now clear the kind of global warming predicted in 1990 that provided the impetus for the Rio Treaty simply hasn't occurred. By now, global mean temperatures were supposed to be rising at a rate of 0.3 degrees Celsius per decade, but no such warming has happened. In fact, satellite measurements show the planet has actu-

ally cooled slightly over the past 18 years while ground measurements show a warming trend of roughly half the amount predicted. In either case, the temperature variation has been minor.

Second, even if significant warming were underway, it might be a natural phenomenon. The planet has experienced numerous cooling and warming trends. For example, between the 10th and 12th centuries global temperatures were 0.5 C warmer than today. During the middle of the 19th century, the planet was up to 1.5 degrees Celsius cooler than today. These temperature fluctuations occurred long before large industrial emissions of CO2 existed. Furthermore, if human sources of CO2 were responsible for global warming, one would expect that most of the warming since the middle of the last century would have occurred since the 1940s. It didn't. Two-thirds of the warming occurred prior to 1940, before emissions from man-made sources were significant.

Third, whatever warming is occurring appears to be occurring in the right places. Overall changes in the temperature of the Earth are not equally distributed. Global warming has had its most profound effect in the coldest regions of the world such as Siberia and North America. Such warming is of little consequence to vegetation and animals, however, as they feel little difference between minus 40 and minus 35. Similarly, such temperature increases would have little effect on ice caps as the temperatures would still be well below freezing. At the same time, temperatures in warm, humid air masses, where an abundance of organisms live, barely respond to greenhouse changes. In the end, the warming has little effect but to lengthen the growing seasons and reduce

the demand for electricity for heating — hardly a negative effect.

Fourth, human carbon dioxide emissions represent a tiny fraction of total CO2 emissions, suggesting that restrictions on human emissions would be inconsequential. Human beings only account for 3.5 percent of carbon dioxide in the atmosphere. Nature produces the rest through geysers, the respiration of organisms, springs and volcanoes. Scientists cannot even account for the origin of 50 percent of all carbon dioxide produced.

Fifth, the impact of even these limited human CO2 emissions may be lessened further by the fact they may be counteracted by other human-generated pollutants. Burning fossil fuels releases carbon dioxide, but it also releases sulfate aerosols, tiny bits of dust which cool global warming by reflecting away the sun's radiation.

Despite the science, Bill Clinton appears determined to commit the United States to sharp cuts in CO2 emissions intended to stop global warming, a phenomenon that may not exist, could be a net plus if it does and may be impossible for human beings to control. The costs of imposing such restrictions, however, would be only too real. Millions of Americans would be laid off, consumer prices would rise as energy costs rise, economic growth would be slowed, and overall standards of living would plummet. The U.S. Senate should be wary that the president's prescribed cure isn't worse than the disease.

Sager is a research associate with the Environmental Policy Task Force at the National Center for Public Policy Research, a non-partisan educational foundation based in Washington, D.C.

Robert J. Samuelson

Dancing Around a Dilemma

Global warming promises to become a large and gushing source of national hypocrisy.

Global warming may or may not be the great environmental crisis of the next century, but—regardless of whether it is or isn't—we won't do much about it. We will (I am sure) argue ferociously over it and may even, as a nation, make some fairly solemn-sounding commitments to avoid it. But the more dramatic and meaningful these commitments seem, the less likely they are to be observed. Little will be done. I wouldn't stake my life on that, but I don't see how it could turn out otherwise.

Democracies can't easily make present sacrifices to avoid future menaces. We require (it seems) a clear and present danger, if not a crisis, to stir us to action. This is why we won't soon mobilize against global warming. The politics simply won't compute. To do something effective would require a heavy energy tax or its equivalent. A good round figure for a tax is \$100 per ton of carbon; this would raise gasoline prices an estimated 26 cents a gallon and electricity and natural-gas rates by almost 30 percent. The idea would be to dampen energy use and the emission of greenhouse gases (mostly carbon dioxide) from the burning of fossil fuels (oil, coal, gas).

To put it mildly, the odds of Congress's passing such a tax are low. The problem with global warming is that we don't know yet whether it represents a genuine national threat and, if so, how large. Congress might conceivably react to a legitimate threat, even if distant. But it won't impose pain on voters for no obvious gain to solve a hypothetical problem. And if the United States won't, neither will anyone else. We generate the most greenhouse gases, about 22 percent of the annual total. Other countries won't squeeze themselves to preserve our lifestyles.

I talked last week to global-warming believers and skeptics. Despite policy differences, they tend to agree about the modest state of current knowledge. Here's what we know. Since the dawn of the Industrial Age (say 1800), the concentration of carbon dioxide in the atmosphere has risen about 30 percent. In the past century, average surface temperatures have increased one degree Fahrenheit (0.5 degree Celsius). The widespread suspicion is that these trends are connected. Industrial and transportation emissions increased carbon dioxide, trapping more heat in the atmosphere and raising temperatures. The rival theory is that the small temperature rise is a natural climatic variation.

Now, here's what we don't know:

■ We don't know how much—or if—temperatures might rise in the next century. In 1995 the United Nations' Intergovernmental Panel on Climate Change predicted that average temperature might increase between 1.0°C and 3.5°C, with the best guess at 2.0°C. Even this huge variation is hedged with qualifications and isn't accepted by many scientists, because it's based on admittedly crude computer simulations of climate.

■ We don't know—despite much scare talk—what the effects of warming might be. The computer models can't predict the exact impact on regions or precise shifts in storm patterns. Warmer weather might make some areas more attractive, and others less. Hotter weather could depress crop output in some places and raise it in others.

■ We don't know how to prevent warming. Once greenhouse gases reach the atmosphere, they tend to stay there. So stabilizing annual emissions isn't enough; they have to be cut sharply. But economic growth requires more energy, and fossil fuels provide 85 percent of all energy. Without a breakthrough in alternative energy—nuclear, solar, something—no one knows how to lower emissions adequately without ultimately crushing the world economy. (By 2050, emissions might have to drop 50 percent or more from expected levels.)

The idea that global warming is a certain calamity simply isn't proven. Anyone who thinks otherwise should read Richard A. Kerr's superb story in the May 16 issue of *Science* magazine, "Greenhouse Forecasting Still Cloudy." In it, he illuminates the doubts that plague computer modeling of climate. By altering a few assumptions, one model cuts its forecast of global warming caused by a doubling of CO₂ concentrations from 5.20°C to 1.90°C. Based on present knowledge, the best way of coping with warming—if it happens—would be to adapt to it. Change would probably occur over decades. If sea levels rose because oceans warmed, coastal areas would erect retaining walls—or people would move. Farmers would adjust crops to new weather.

I write all this as someone who actually favors an energy tax, mainly for national-security reasons (to cut dependence on insecure Mideast oil). I believe that, within limits, we could improve energy efficiency without wrenching changes in lifestyles or high economic costs. Well, we had two oil crises in the 1970s and fought a war in the 1990s over oil. None of these events spurred a major energy tax, and global warming would ultimately demand a bigger tax. (A \$100-per-ton carbon tax, for example, might only cut CO₂ emissions back to 1990 levels by 2010.)

What I conclude is that global warming promises to become a gushing source of national hypocrisy. President Clinton recently fulminated to the United Nations about the dangers of global warming without specifying how the United States might combat it. Late this year, an international conference will try to fashion a global treaty. Already 65 senators have signed a resolution sponsored by West Virginia Sen. Robert Byrd rejecting any treaty that doesn't demand emission cuts by poor countries (China, India, etc.). But these countries have—temporarily—been exempted for good reasons. They didn't cause most greenhouse gases, and penalizing their development would perpetuate their poverty.

The difference between Clinton and Byrd is less than it seems. Clinton wants to seem engaged without doing much; Byrd et al. want to find a respectable reason (i.e., poor countries aren't participating) for being disengaged. Hardly anyone wants to admit candidly the uncertainties of global warming. It's politically incorrect to question whether this is a serious problem that serious people ought to take seriously. But it would be political suicide to do anything serious about it. So shrewd politicians are learning to dance around the dilemma.

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news

June 30, 1997

Vol. 76, No. 24

FB: Climate treaty clouds ag's future

The administration's proposal to proceed with an international climate change treaty poses a serious threat to American farmers and "makes no sense from an environmental or an economic standpoint," Farm Bureau told a Senate panel recently.

Nebraska Farm Bureau President Bryce Neidig, testifying before a Senate Foreign Relations subcommittee, said that the administration is acting "hastily and prematurely" on an issue that experts "still don't know enough about."

The United Nations treaty would place strict, binding limits on greenhouse gas emissions. If such limits are adopted, Neidig said, "the United States will be forced to consider drastic policies to meet those legally enforceable reductions."

The Commerce Department reported that capping carbon dioxide emissions at the proposed 1990 levels would produce the equivalent of

a 25-cent gas tax. "Fuel cost increases would be a big hardship to U.S. farmers," Neidig explained. "You might say that it's a back-door BTU tax."

Farmers are particularly fearful that adhering to the agreement will result in a major disruption of common farming practices, and place restrictions on planting, cultivation and harvesting techniques that may actually benefit the environment. Neidig noted, for example, that "integrated pest management programs that reduce pesticide use through tillage and crop rotation could be jeopardized."

The treaty would make American farmers especially vulnerable in the global economy because it commits developed countries like the United States to specific emissions reductions, but sets no binding requirements for developing countries, most of whom already enjoy a competitive edge from lower labor and production costs. This puts U.S.

farmers at a significant trading disadvantage, while also delivering a blow to the environment, said Neidig.

"By the administration's own projections, carbon dioxide emission increases from developing countries will far outpace those of the United States and other developed nations. By forcing compliance of developed countries only, we fail to invest our efforts where they will achieve the greatest emissions reductions, while simultaneously making U.S. farmers easy prey in the world of free trade."

Farm Bureau is urging the administration to delay completion of the agreement to provide time for an analysis of the treaty's economic impact on agriculture.

"The administration must not accept a final agreement without a full and open public debate that includes agriculture and minimizes the negative impact on agricultural producers," said Neidig.

news

July 28, 1997

Vol. 76, No. 28

FB seeks delay in climate treaty

The Clinton administration should withdraw its support for enforceable caps on greenhouse gases in a proposed Global Climate Change Treaty, American Farm Bureau Federation President Dean Kleckner told a House committee last week.

"Until scientific research can verify the connection between greenhouse gases and agriculture, the administration should be very skeptical about applying any controls to U.S. agriculture," Kleckner told the House International Relations Committee.

Kleckner said Farm Bureau and other farm groups are calling for a public debate on the treaty involving agricultural policy-makers. They also want the final climate change agreement, scheduled for completion this December in Kyoto, Japan, to be delayed.

"The administration must not accept a final agreement without complete analysis and a full and open public debate which includes agriculture," Kleckner said.

Farm Bureau is concerned that the interests of farmers and ranchers are not being considered in international climate change negotiations, Kleckner said.

The administration's proposal could impose major new production costs on U.S. agricultural producers, which would put them at a disadvantage in international markets and disrupt family farm and ranch operations, he noted, since developing countries such as China, Mexico, Chile and Argentina would not have to comply.

"Climate change policy is controversial," Kleckner said. "Drastic action proposed by the administration is not justified at this time."

He said farmers are concerned that controls may be imposed on the farm to reduce greenhouse gas emissions—and may increase costs for fuel, energy, vehicles and equipment and add burdensome regulations.

"First, it's unclear that we even have a problem," Kleckner said. "Sec-

ond, even if there is a problem, we don't know the extent of agriculture's contribution to the problem.

"The bottom line is that we must have more information—valid, peer-reviewed scientific research—before we make major policy decisions that will define the very structure of U.S. agriculture in the future," he said.

Strict limits on emissions could severely disrupt farm operations, Kleckner said.

"Restrictions on planting, cultivation and harvesting would interfere with farm management plans that have been designed to reduce production costs, maximize yields and conserve farmland," he said.

"Agriculture's critics in the climate change debate have focused on agriculture's contribution to greenhouse gases and overlooked agriculture's most important role—feeding and clothing a growing, hungry world," Kleckner said.



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Potential Economic Impact of the Global Climate Treaty on the Agricultural Sector

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Sept. 29, 1997

Executive Summary

This analysis would suggest that a scenario of higher energy prices would have a significant negative impact on the agricultural sector at nearly all levels. Total annual U.S. farm production expenses would rise over \$10 billion under the low energy price scenario and more than \$20 billion dollars under the high energy price scenario. Given that U.S. net farm income has averaged \$42.7 billion dollars per year over the 1991 to 1995 period, this would represent a 24% and 48% decrease in the net farm income under the respective low/high energy price scenarios.

Certainly the high energy price scenario has the potential for causing an economic downturn in the agricultural sector which could parallel the experience of the mid-1980's. Not only would net farm income be impeded in the short term but a downturn in land prices would shrink asset values and, most likely, result in another mini-depression in the farm sector. The increased production costs are expected to reduce profits and income to farmers, and invariably slow farm loan and mortgage repayments. Consequently, this scenario would also would bode poorly for lenders who are extending credit to farmers.

Although the low energy price increase scenario would be less dramatic, it would still have a significant impact on agriculture. Depending on how it was implemented, it would probably produce a situation of stagnation with low profits and slowly declining land prices over an extended period of time.

Another outcome of either scenario would be the increased consolidation of agricultural production. Many small farmers who typically have a higher average cost of production would be forced to sell to large farmers. Young farmers just starting or those farmers who have recently taken on increased debt to expand their operations could find themselves in an unprofitable situation that might force them to abandon agriculture. Not only would this impinge on lenders but it would also have an adverse economic impact on small towns and rural America in general.

Potential Economic Impact of the Global Climate Treaty on the Agricultural Sector

Implementation of the Global Climate Treaty is expected to increase the prices of fuel and related energy products substantially. The American Petroleum Institute estimates that the climate agreement could increase prices for gasoline, diesel fuel and electricity by 50 per cent or more, depending on the emission targets which are prescribed. Cost estimates by the Administration have been lower, but the U.S. Commerce Department recently agreed that capping carbon dioxide emissions at 1990 levels requires the equivalent of a 25 cent per gallon fuel tax. These estimates are utilized to set the parameters used in this study and will be referred to as the low/high levels in the subsequent analysis.

Agricultural production is an energy intensive process. The immediate focus is often on the cost of fuels and oils. However, an even more important consideration is in the area of manufactured inputs, fertilizer and pesticides or chemicals. These are very energy sensitive products. For example, energy (natural gas) typically accounts for 75% of the cash cost of manufacturing anhydrous ammonia, a basic feedstock or ingredient for all nitrogen fertilizer products. Nearly all the manufactured inputs have cost structures for which energy is equivalent to 50% or more of the underlying cash production costs. Consequently, from a farm production standpoint, the increase in fuel and oil costs account for only about 30% of the total increase in manufactured inputs cost resulting from the higher energy prices. Fertilizer, pesticides and other chemicals account for 70% of the increase in manufactured inputs cost.

Study Methodology -- The following projection is based upon static analysis. In other words, a point in time, or baseline, is selected and the impact of the changing parameter, in this study energy prices, is incorporated. In this case, it is assumed that the full impact of the energy price change occurs in year one. Consequently, if the price change were stretched out over a number of years, one would look at a base line relative to the year when the total changes were implemented. During the intervening years, there would be a gradual increase in agriculture production costs. For example, for the macro analysis a 1995 base line was utilized. If price increases were incorporated over a five-year period then this analysis would be comparing the 1995 base line to the impact in the year 2000.

This analysis looks at both the micro and macro impact on agriculture. Six representative commodities have been chosen for the micro analysis, four are crops and two are livestock. By looking at the different commodities, the range of effects can be measured. Some commodity production is very energy intensive while others are less affected by changes in energy prices. For example, corn and cotton crops use a lot of nitrogen fertilizer and pesticides, products that are very energy sensitive with respect to their cost structure and prices. Soybean production, on the other hand, is less sensitive to energy cost fluctuations.

The macro analysis utilizes U.S. farm production expenses for 1995 as

the base. From there the impact of the change in energy prices, 25 cents per gallon or 50 cents per gallon increase in fuel prices and related energy products, is applied. The parameters established are as follows:

Cost Changes		
	Low	High
Fuel and electricity prices	25%	50%
Pesticides/chemical	20%	40%
Fertilizer - Corn/cotton	20%	40%
Fertilizer - Wheat/soybean	15%	30%
Custom operations/hauling	15%	30%
Other expenses	5%	10%

Micro Analysis -- The following tables show the impact of the higher energy prices on four crops -- corn, cotton, soybeans and wheat -- and two livestock -- hog and dairy. The baseline year is 1994. The 1994 base year production cost figures come from the ERS Farm Business Economics Report, 1994, ECI-1995. They represent the average U.S. cash production cost.

The information most relevant to this analysis is in two categories, total variable cash expenses and the gross value of production minus variable cash expense or net profit. The following table summarizes that information.

Impact of Higher Energy Costs on Agriculture ¹ (dollars per acre/hundredweight)

	Base	Low	High	Base	Low	High
	Corn			Cotton		
Variable cash expenses	147.08	169.92	193.65	276.95	312.17	347.38
Percent change	15.5%	31.7%		12.7%	25.4%	
Value of production less cash expense (net profit)	99.11	76.28	52.54	143.36	108.14	72.93
Percent change		-23.0%	-47.0%		-24.6%	-49.1%
	Soybeans			Wheat		
Variable cash expenses	75.76	86.11	96.45	54.58	61.87	69.15
Percent change		13.7%	27.3%		13.4%	26.7%
Value of production less cash expense (net profit)	100.91	90.56	80.22	25.48	18.19	10.91
Percent change		-10.3%	-20.5%		-28.6%	-57.2%
	Hogs			Milk		
Variable cash expenses	38.44	40.32	42.41	11.35	11.78	12.20
Percent change		4.9%	10.3%		3.8%	7.5%
Value of production less cash expense (net profit)	4.70	2.82	0.73	1.60	1.17	0.75
Percent change		-40.0%	-84.5%		-26.9%	-53.1%

1. For detail, see Detailed U.S. Production Costs Charts

Total variable cash expenses increased from 12.7% to 15.5% under the 25 cents per gallon price increase in fuel scenario. Under the 50 cents per gallon price increase scenario variable cash costs rise anywhere from 25.4% to 31.7%. Although in percentage terms the changes are much the same, when viewed in dollar terms there is a much greater difference. Under the lower energy price scenario, total variable cash expenses for wheat increased by only \$7.29 per acre whereas the cotton variable cash expenses increased more than \$35 per acre. A similar difference is noted under the high energy price scenario.

Much the same outcome is noted when measured by the gross value of production less cash expenses or net profit. Under the low price scenario, this number is reduced by 10% for soybeans to more than 20% for cotton, corn and wheat. Under the high price scenario, the net returns to soybean production are reduced 20% while net returns for corn, cotton and wheat are all reduced approximately 50%.

The impact of higher energy prices on the livestock side are demonstrated in the analysis of hog production and milk production. Total variable cash expenses for hogs increases 4.9% and 10.3%,

respectively, given the low/high energy price scenarios. However, it should be noted that the gross value of production less cash expenses, or net profits, are reduced 40% and almost 85%, respectively. These numbers reflect the fact that livestock feeders and dairy farmers operate on a very thin margin. Relatively small changes in the cost of production can result in very significant changes in the resulting profits.

For milk, total variable cash expenses increased 3.8% and 7.5%, respectively, low/high energy price scenario. Likewise, the gross value of production less cash expenses are reduced 26.9% and 53.1%, respectively, given the low/high energy price scenarios.

It should be noted that in all cases the gross value of production or price received by farmers is based on the 1994 year. Obviously, commodity prices vary from year-to-year. For example, milk prices declined rather significantly in late 1996 and early 1997. In the case of milk, the higher variable cash expenses would have simply exacerbated the losses producers were already experiencing.

Macro-Analysis -- The table entitled U.S. Farm Production Expenses shows the impact of the low/high energy prices on the total agricultural sector. As can be seen by the columns on the right hand side showing the difference, total U.S. farm production expenses would rise over \$10 billion under the low energy price scenario and more than \$20 billion dollars under the high energy price scenario. Given that annual U.S. net farm income has averaged \$42.7 billion dollars over the 1991 to 1995 period, this would represent a 24% and 48% decrease in the net farm income under the respective low/high energy price scenarios.

**U.S. Farm Production Expenses
(million dollars)**

	Base Year	Impact of higher energy prices		Difference	
	1995	Low	High	Low	High
Feed Purchased	24,528	26,000	27,471	1,472	2,943
Livestock & poultry purchased	12,557	11,929	11,301	-628	-1,256
Seed Purchased	5,463	5,791	6,119	328	656
Farm-origin inputs	42,548	43,720	44,891	1,172	2,343
Fertilizer & lime	10,034	11,790	13,545	1,756	3,511
Fuels & oils	5,687	7,109	8,531	1,422	2,844
Pesticides	7,719	9,263	10,807	1,544	3,088
Manufactured inputs	23,440	28,162	32,883	4,722	9,443
Total interest charges	12,757	13,395	14,033	638	1,276
Other operating expenses	59,964	62,962	65,960	2,998	5,996

Capital consumption	19,107	20,062	21,018	955	1,911
Taxes	6,891	7,236	7,580	345	689
Net rent to nonoperator landlords	10,873	10,295	9,753	-578	-1,120
Other overhead expenses	36,871	37,593	38,351	722	1,480
Total production expenses	175,581	185,832	196,118	10,251	20,537
Percent change		5.8%	11.7%		

It should be noted that there are a couple of categories of expenses that are expected to decline. First is the livestock and poultry purchase category under farm-origin inputs. When farmers who feed livestock bid on the feeder animals -- calves, pigs or chicks -- their bid is predicated on the potential profit of feeding that animal/bird. When feed prices increase they compensate by lowering the bid for these young animals. While that reduces production expenses it also is an overall negative to gross farm revenues. For the agricultural sector as a whole, it is a net loss.

The other area of reduced expenses, net rent to non-operator landlords, also has some rather ominous implications. It is a reflection of the higher cost of production which means that farmers renting land will reduce their bid or the rental rate. (It may be a rather heroic assumption that this occurs in year one but it will happen over time if higher expenses reduce profits in successive years.) Associated with this reduction is the fact that land prices in general will also come under downward pressures. So this would also be viewed as a negative impact on assets and the farm sector financial balance sheet.

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Economic Analysis

Treaty Threatens to Impose Severe Impacts on Farms

The higher energy prices that would accompany measures to limit greenhouse gas emissions would severely affect farmers and ranchers. According to an analysis by the American Farm Bureau Federation, **net farm income nationwide could be slashed by 24 percent if the equivalent of a 25-cent gas tax were imposed and by 48 percent if a 50-cent tax were enacted.** (The 25-cent scenario comes from a recent Commerce Department estimate regarding the treaty's impact. The 50-cent scenario comes from several industry estimates. The AFBF analysis used both, calling them the "low" energy price increase scenario and the "high" increase scenario.)

"The high energy increase scenario has **the potential for causing an economic downturn in the agricultural sector that would parallel the experience of the mid-1980s,**" notes Terry Franci, an AFBF senior economist.

Farm income would be sliced and land prices would fall, causing another "mini depression" in the farm sector, Franci says. Increased production costs would eat into profits and jeopardize farm loan and mortgage repayments. The "low" energy price scenario would be less drastic, he says, but would probably induce stagnation in the farm sector, characterized by low profits and slowly declining land prices over an extended period.

Under both scenarios, the nation would see **increased consolidation of agricultural production.** Smaller-scale farmers, because of higher production costs, would be forced to sell to larger-scale producers. Younger farmers, or those who have taken on debt, "would probably find themselves in an unprofitable situation and be forced to abandon agriculture," says Franci.

The impacts of higher energy prices vary by commodity. While the increase, by percentage, of a 25-cent hike in fuel costs for wheat and cotton is similar, around 13 percent, it translates into a \$7.29 per acre increase in production expenses for wheat and a \$35 per acre increase for cotton.

For hog producers, an increase in production expenses from increased fuel costs seems relatively small, 4.9 and 10.3 percent for the two scenarios. However, that translates into slashed profits of 40 to 84.5

percent, depending on the fuel price hike.

"Livestock feeders and dairy farmers operate on a very thin margin," explains Francl. "Relatively small changes in the cost of production can result in very significant changes in the resulting profits."

An analysis of six commodities illustrates the impact of higher energy prices:

Corn:	Production costs would rise 15.5 percent under the "low" increase scenario and 31.7 percent under the "high" scenario. Returns, or net profits, to producers would be cut by 23 and 51.6 percent, respectively.
Soybeans:	Production costs would rise 13.7 percent under the "low" increase scenario and 27.3 percent under the "high" scenario. Returns to producers would be cut by 10.3 and 20.5 percent, respectively.
Cotton:	Production costs would rise 12.7 percent under the "low" increase scenario and 25.4 percent under the "high" scenario. Returns to producers would be cut by 24.6 and 49.1 percent, respectively.
Wheat:	Production costs would rise 13.4 percent under the "low" increase scenario and 26.7 percent under the "high" scenario. Returns to producers would be cut by 28.6 and 57.2 percent, respectively.
Hogs:	Production costs would rise 4.9 percent under the "low" increase scenario and 10.3 percent under the "high" scenario. Returns to producers would be cut by 40 and 84.5 percent, respectively.
Milk:	Production costs would rise 3.8 percent under the "low" increase scenario and 7.5 percent under the "high" scenario. Returns to producers would be cut by 26.9 and 53.1 percent, respectively.

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Potential Economic Impact of the Global Climate T on the Agricultural Sector

Charts

U.S. Production Cash Costs (dollars per acre)

Appendix A

<u>Com</u>				<u>Soybeans</u>			
		1994				1994	
Gross value of production		296.32		Gross value of production		219.56	
		Impact of higher energy prices				Impact of higher energy prices	
		Low High				Low High	
Cash Expenses:				Cash Expenses:			
Fertilizer, lime & gypsum	46.07	55.28	65.38	Fertilizer, lime & gypsum	9.25	10.00	10.00
Pesticides	25.22	30.26	35.30	Pesticides	24.45	29.00	29.00
Custom Operations	10.05	11.56	13.07	Custom Operations	3.73	4.00	4.00
Fuel, lube and electricity	18.96	23.70	28.44	Fuel, lube and electricity	7.93	9.00	9.00
Other ¹	46.78	49.12	51.46	Other ¹	30.40	31.00	31.00
Total, variable cash expenses	147.08	169.92	193.65	Total, variable cash expenses	75.76	86.00	86.00
Percent change		15.5%	31.7%	Percent change		13.0%	13.0%
Total, fixed cash expenses	50.13	50.13	50.13	Total, fixed cash expenses	42.89	42.89	42.89
Total, cash expenses	197.21	220.05	243.78	Total, cash expenses	118.65	128.89	128.89
Gross value of production less cash expenses	99.11	76.28	52.54	Gross value of production less cash expenses	100.91	90.00	90.00
Percent change		-23.0%	-47.0%	Percent change		-10.0%	-10.0%

(1) Includes seed, repairs, hired labor, other variable cash expenses and ginning for cotton.

U.S. Production Cash Costs (dollars per acre)

Appendix B

<u>Cotton</u>				<u>Wheat</u>			
	<u>1994</u>				<u>1994</u>		
Cotton	421.04			Wheat	103.64		
Cottonseed	55.35			Wheat straw	1.31		
Total, gross value of production	477.39			Total, gross value of product	104.95		
	Impact of higher energy prices				Imp		
	Low High				en		
Cash Expenses				Cash Expenses	Lo		
Fertilizer, lime & gypsum	38.16	45.79	53.42	Fertilizer, lime & gypsum	15.21	17	
Pesticides	49.87	59.84	69.82	Pesticides	6.18	7	
Custom Operations	19.59	22.53	25.47	Custom Operations	4.87	5	
Fuel, lube and electricity	31.03	38.79	46.54	Fuel, lube and electricity	8.12	10	
Other ¹	138.30	145.22	152.13	Other ¹	20.2	21	
Total, variable cash expenses	276.95	312.17	347.38	Total, variable cash expenses	54.59	61	
Percent change		12.7%	25.4%	Percent change		13	
Total, fixed cash expenses	57.03	57.03	57.03	Total, fixed cash expenses	24.89	24	
Total, cash expenses	334.03	369.25	404.46	Total, cash expenses	79.47	85	
Gross value of production less cash expenses	143.36	108.14	72.93	Gross value of production less cash expenses	25.48	18	
Percent change		-24.6%	-49.1%	Percent change		-28	
(1) Includes seed, repairs, hired labor, other variable cash expenses and ginning for cotton.							

U.S. Production Cash Costs (dollars per hundredweight)

Appendix C

<u>Hog Production</u>		<u>1994</u>		<u>Milk Production</u>		<u>1994</u>	
Market hogs		36.29		Milk		12.99	
Feeder pigs		4.52		Cattle		1.00	
Cull stock		2.31		Other income		0.51	
Breeding stock		2.11		Total, gross value of production		14.50	
Inventory change		0.44					
Other Income		1.13					
Total, gross value of production		46.80					
		Impact of higher energy prices				Impact of higher energy prices	
		Low High				Low High	
Cash Expenses:				Cash Expenses:			
Grain		11.54	12.35	13.16	Concentrates	3.69	3.69
Protein sources		9.35	9.72	10.10	Silage	1.41	1.41
Complete mixes		5.69	6.06	6.43	Other feed	2.07	2.07
Other feed items		0.59	0.63	0.67	Total feed costs	7.17	7.17
Total feed costs		27.17	28.76	30.36			
Other variable cash expenses		11.27	11.56	12.05	Other variable cash expenses	4.18	4.18
Total, variable cash expenses		38.44	40.32	42.41	Total, variable cash expenses	11.35	11.35
Percent change			4.9%	10.3%	Percent change		3.8%
Total, fixed cash expenses		3.66	3.66	3.66	Total, fixed cash expenses	1.55	1.55
Total, cash expenses		42.10	43.98	46.07	Total, cash expenses	12.90	13.90
Gross value of production less cash expenses		4.70	2.82	0.73	Gross value of production less cash expenses	1.60	1.60
Percent change			-40.0%	-84.5%	Percent change		-26.9%

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Frequently Asked Questions

Q&A on the Global Climate Change Treaty

Q. Is climate change an accepted scientific fact?

A. No. There are concerns that "greenhouse gases" are contributing to increases in global average temperatures and cause adverse changes in the world's climate and weather. Although there is data to show slight increases in global temperatures, there is disagreement about the magnitude of the change and the relative contribution of human vs. natural causes. Despite such controversy, the Global Climate Change Treaty is being actively pursued by the United Nations and the United States.

Q. Why is agriculture concerned with the proposed treaty?

A. Of great concern to agriculture are reports under consideration by the United Nations scientific panel that blame agriculture for more than 20 percent of human-caused greenhouse gas emissions and U.S. agriculture for one-third of all of America's greenhouse gas emissions. Unfortunately, these proposals ignore agriculture's positive role in reducing greenhouse gases by removing carbon dioxide from the atmosphere through plant photosynthesis. Most importantly, the U.N. panel has disregarded the most valuable function of modern agriculture--feeding a hungry world. Ironically, rice production has been singled out as the No. 1 culprit in human-caused methane emissions.

Q. How would agriculture be impacted by this treaty?

A. Suggested control measures for the agriculture industry to reduce greenhouse gas emissions include:

- ☐ Increased fuel economy requirements.
- ☐ Reduction or phaseout of the use of diesel fuel.
- ☐ Limitations on production per acre for some crops.
- ☐ Requirements for "plowless" soil preparation.
- ☐ Mandatory fallowing of cropland.
- ☐ Limits and restrictions on livestock production.
- ☐ Restrictions on timber harvesting.
- ☐ Restrictions on processing, manufacturing and transportation of food products.

Q. What are the major greenhouse gases and what are agriculture's sources of these emissions?

A. The three major greenhouse gases are carbon dioxide, methane and nitrous oxide. While the primary cause of increased concentrations of greenhouse gases is the burning of fossil fuels for energy, land use and livestock agriculture are considered by the Intergovernmental Panel on Climate Change as major emission contributors for the three most prevalent gases. Agriculture sources are as follows:

Carbon dioxide (CO₂) -- agricultural sources include soil tillage, which releases carbon into the atmosphere, and fossil fuel use (motor fuel, electricity, heating fuel).

Methane (CH₄) -- agricultural sources are ruminant animals, rice paddies, wetlands, agricultural burning, animal waste and fossil fuel burning.

Nitrous oxides (N₂O) -- agricultural sources are cultivated soils, fertilizer application, burning of crop residues and fossil fuel use.

Q. What does agriculture have to offer?

A. Agriculture and forestry are in the unique position of being the only industries that may be able to act as a mitigator for greenhouse gases. Currently, it is unknown as to the extent that agricultural cropping practices and conservation reserve lands remove these gases from the air. This process of "sequestration" is one that may allow agriculture to be considered a "sink" for such gases. Some suggest that agriculture in North America is already a net sink when weighing the industry's sequestration vs. its emissions. To date this unique aspect of agriculture is being ignored.

Q. What is the timetable for the treaty and how would controls of emissions be enforced in the U.S.?

A. International parties to the agreement will meet again at a series of discussions throughout the fall of 1997. Final adoption of the international protocol by the Convention of Parties is scheduled for December 1997, in Kyoto, Japan.

The protocol must then be ratified by participating nations before it is binding. In the United States, ratification requires a two-thirds vote by the Senate. It is unlikely that changes can be made once a final agreement is reached. After ratified by independent nations, the protocol may be adopted into law and carried out through new or existing regulation at the national, state and local levels.

The potential impact on food and agriculture is real, not theoretical. Freon and methyl bromide were banned by the Montreal Protocol, which was incorporated in the 1990 Clean Air Act amendments and subsequent regulations. These actions are having a major impact on American farmers and ranchers.

Q. Why has the Clinton administration committed the United States to a binding international agreement to limit greenhouse gas emissions?

A. In July the Clinton administration told a U.N. climate change conference that voluntary efforts to limit greenhouse gas emissions had failed. The administration then proposed legally binding targets and timetables to reduce the fossil fuel emission--principally, carbon dioxide and methane--in industrialized countries. However, the administration has refused to announce specific U.S. targets and timetables for reducing emissions until after the November election. This suggests their proposal is politically motivated--it allows them to appear protective of the environment while avoiding public discussion of the high costs associated with reducing greenhouse gas emissions. After all, every American would have to substantially reduce their use of energy in order to implement the administration's proposal. And there are only two ways to forcibly limit energy use--rationing permits or massive new energy taxes. Both would drive up the cost of gasoline, electricity, food, manufacturing and transportation. No wonder the administration doesn't want the American public to know they have committed the United States to a radical--and costly--shift in climate policy.

Q. But don't human activities affect climate?

A. Scientists believe it's possible--but like advocates of the "global cooling" theory of the 1970s, proponents of man-made "global warming" may be overstating their case.

Q. What other natural causes might affect climate?

A. Solar activity for one. *Science* magazine recently reported that new evidence about sunspot cycles places "the sun's fingerprints ... all over the climate record.... The correlation implies that the sun could have been responsible for as much as half of the warming of the past century.² Other natural causes include 10,000 year shifts in ocean currents.

Q. Suppose climate change is happening and we just don't know it. Is anything being done to reduce the risk of climate change?

A. Yes. Industrialized countries that signed the Rio Treaty in 1992 developed action plans to return their greenhouse gas emissions to 1990 levels by 2000. Most countries, including the United States, have relied on voluntary efforts, such as energy-efficiency improvements in heating, cooling, lighting and transportation. Resources also are being conserved through various waste-reduction and recycling efforts. And industry constantly invests in new technologies to reduce energy use.

Q. If scientists do find evidence that human activity significantly affects climate, will developing nations need to reduce emissions?

A.

A. responsible for as much as 68 percent of all energy-related carbon dioxide emissions by 2025 and approximately 76 percent of these emissions by 2050. So if climate change is real, developing nations will need to take action.

Q. But don't we waste lots of energy?

A. No, it's not true, as some claim, that the nation or the world can cut energy use 20 percent to 30 percent at no cost. As a U.N. report on climate change points out, these estimates are based on the notion that for one reason or another markets don't induce enough energy conservation. This cannot be the case. History shows that companies are constantly using energy more efficiently--from 1974 to 1991, energy intensity in U.S. manufacturing declined 48 percent while productivity rose 58 percent. This trend toward growing energy efficiency will continue. Clearly, companies would go out of business if they wasted 20 percent to 30 percent of their energy budget. And what family would waste that amount of money on unneeded heat, electricity or gasoline bills when that same money could be spent on food, clothing, medicines and school supplies?

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The Experts Speak

Experts voice treaty concerns

"I do not think the Senate should support a treaty that requires only half the world, i.e., the developed countries, to endure the economic costs of reducing emissions, while developing countries are free to pollute the atmosphere, and, in so doing, siphon off American industries. There are those who say that the U.S. is responsible for the situation developing. They claim that the United States should bear the brunt of the burden. But, the time for pointing fingers is over. In this particular environmental blame game, there are no winners. The world loses."

Sen. Robert Byrd (D-W.Va.)

"If the administration signs a treaty in Kyoto that exempts the developing world from legally binding reductions in greenhouse gas emissions or that hurts the U.S. economy--it will not see the light of day in the United States Senate."

Sen. Chuck Hagel (R-Neb.)

"Farm Bureau is very concerned that the proposed climate agreement threatens U.S. agriculture. New regulatory controls for agriculture have been proposed. They include new taxes on fuel and fertilizer, controls on planting, cultivation and harvesting and production of crops and livestock. Fuel cost increases imposed by the treaty mean big hardships for family farms like mine. A 60-cent-per-gallon increase in diesel and gasoline and 50 percent hike in electricity costs are possible."

Bob Stallman, Texas Farm Bureau president and family rice farmer

"The president still asserts that he wants legally binding commitments coming out of Kyoto. I view that as unnecessary and unwise. I regard

the policies being contemplated by international negotiators as tantamount to Russian roulette. There's a rush to judgment."

William O'Keefe, chairman of the Global Climate Coalition

"Bill Clinton appears determined to commit the United States to sharp cuts in CO2 emissions intended to stop global warming, a phenomenon that may not exist, could be a net plus if it does and may be impossible for human beings to control. The costs of imposing such restrictions, however, would be only too real. Millions of Americans would be laid off, consumer prices would rise as energy costs rise, economic growth would be slowed and overall standards of living would plummet. The U.S. Senate should be wary that the president's prescribed cure isn't worse than the disease."

Ryan Sager, research associate with the Environmental Policy Task Force at the National Center for Public Policy Research

"The economic consequences of the Clinton administration's proposal is a direct result of opposing policies for developing vs. industrialized nations. Developing nations are not subject to any greenhouse emissions cap under this plan, while industrialized nations are. Carbon taxes and regulatory fees resulting from this plan will increase production costs here, while leaving unaffected the production costs of developing nations. This will make the United States relatively less competitive. China, India, Brazil and other exempted developing countries will reap an instant trade advantage."

Nicole Crain, assistant economics professor at Shenandoah University in Winchester, Va.

"Everyone in America will be affected by the treaty. The price of gas will increase by up to 60 cents and the average household will be poorer by almost \$2,700 per year. The economic consequences, however, will not be uniform. Energy-intensive industries will be particularly hard hit."

John Shanahan, vice president and counsel of the Alexis de Tocqueville Institution

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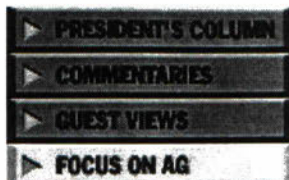
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Focus on Agriculture

AMERICAN FARM BUREAU



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For the week of October 13, 1997

Campaigning Toward Kyoto

By Bob Ellison

The consummate campaigner is in top form these days. President Bill Clinton wants to sign a Climate Change Treaty this December in Kyoto, Japan, and he wants the American people backing him when pen and ink hit paper. Therefore, the average person needs to learn more about the concept of global warming. But how? Dr. Carl Sagan has gone on to his great reward and you cannot make people listen to National Public Radio. Who is left? Who do people trust to tell them about the future? Why, it is as obvious as the television in front of your easy chair. That is why more than 100 weather forecasters were invited to the White House recently.

It was a brilliant move on Clinton's part. People trust weather forecasters and if they say global warming is a problem, then it must be true. And, for the most part, the forecasters are regular people. This was the chance of a lifetime to meet the president and vice president face to face, see the inside of the White House without a tour guide and be treated as honored guests by the most powerful person in the world. And Clinton made sure they knew they were being honored and not hustled. He told them he was happy to have them, that they could use the north lawn to do their television forecasts and that they did not even have to toe the line on global warming.

Did it work? *The New York Times* reported in its Oct. 2 issue that some of the prognosticators distanced themselves from the White House argument. But others, the *Times* reported, were thrilled to be the Commander-in-Chief's guest. Many said they would make global warming messages part of their forecasts and that they were impressed by Clinton and Vice President Al Gore's sincerity and respect.

Clinton even mentioned there are some experts who question whether there is any global warming. USDA Chief Meteorologist Al Peterlin is one of the skeptics, by the way. However, the president did not mention that many groups, including farmers, are worried that the proposed Climate Change Treaty will drive up production costs, harm the economy and benefit U.S. competitors to America's detriment. But why should he?

The president is a brilliant politician and communicator. Just ask

George Bush, Bob Dole, Newt Gingrich and Trent Lott. In the case of the Climate Change Treaty, the opponent is a coalition of industry, labor and consumer groups spending \$13 million on commercials to convince people the treaty is a bad thing. Clinton has countered that by having a hundred or so friends over to his house and just saying hello. No wonder you don't hear Republicans talking much about repealing the presidential term limit anymore.

*Bob Ellison is assistant director of broadcast services
for the American Farm Bureau Federation in Washington, D.C.*

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President's Column

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October 1997

A Presidential View

Global Warming Contention is so Much Hot Air

I went to a hearing in Washington a while back to present agriculture's concerns over global warming. Farmers are skeptical and we are not alone. Appearing with me on the panel were the head of the National Association of Manufacturers and a high-ranking AFL-CIO labor boss. This unanimity of opposition from productive elements of society floored the politicians. But they were not sufficiently stunned to put an end to this nonsensical, non-scientific debate on global warming.



**By Dean
Kleckner,
President,
American Farm
Bureau
Federation**

Scientists have long debated the concept of global warming, that man's industrial activities are leading to increased temperatures. Even though this has not been proved, some are eager to predict dire consequences of higher temperatures. Yet, temperatures rise and fall, on a time scale not conducive to today's 30-second sound bite mentality. Remember back to the 1950s and '60s and you will remember a similar, yet shorter lived witch hunt. Then, consider the 1970s and '80s when there was talk of global cooling. This brought predictions of a new Ice Age. It should not surprise anyone that solutions proposed for both catastrophes are the same --greater international regulation and intrusion.

Not surprisingly, developed nations are the villains in this latest scenario, an accusation admitted to by a surprising number of countries who agreed to participate in a global warming summit conference in 1992. The U.S. attended the meeting and supported voluntary efforts to reduce emissions of various gases. Now, another conference is scheduled for December, and binding emission limits are being pushed by our own administration. People in agriculture, labor, business, science, even some in politics see the dangers to world progress, peace and prosperity.

Beggar the U.S. to Solve Any Problem

According to the hot air supporters, the most immediate way to lower emissions of such industrial gases as carbon dioxide, methane and nitrous oxide would be to drastically curtail energy use in the most energy intensive nations. That's us. To make sure we comply and cut our use, taxes would be imposed. Schemes mentioned so far would increase gasoline and diesel prices anywhere from 26 cents to 60 cents a gallon. We'd pay 25 percent more for electricity (an additional 2 cents per kilowatt-hour) and 16 cents more per therm for natural gas. Home fuel oil would rise 30 cents a gallon. All told, each household would pay about \$600 a year more in fuel costs. Many farmers would pay many times that. These proposals would also knock between one and three million Americans out of work.

There is some doubt that crippling the developed world would affect global warming at all. Many of our major competitors will continue business as usual. Underdeveloped, lesser developed and developing nations will be exempt from the global regulations that would be forced on us. So, China, India, Korea, Argentina, Brazil, Indonesia and other economic powerhouses would be able to out-compete us. First off, they would get the jobs forced from our shores, primarily in heavy industry. And they would have little incentive to clean up their atmosphere, while they are cleaning up economically. In less than two decades, developing countries would end up spewing more of the targeted gases than developed countries.

Farm Bureau favors a truly scientific debate, among climatologists and others with specific knowledge. I urge the doctors of philosophy who seek to interject themselves into the discussions to adopt the prime rule of medical doctors, "First, do no harm." Then recognize what many everyday people already know. Poverty is the greatest pollutant. Increased living standards will promote better education and awareness of how we can continue to use our resources productively, to benefit people now and in the future.

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FOR IMMEDIATE RELEASE

Climate Change Treaty Clouds Outlook for Farmers

WASHINGTON, September 9, 1997 -- The proposed United Nations Climate Change Treaty, in its current form, would substantially increase production costs for U.S. farmers and ranchers, put them at a disadvantage with foreign competitors and threaten their future economic viability, according to the nation's largest farm organization.

"Fuel cost increases imposed by the treaty would mean big hardships for family farms like mine," said Bob Stallman, president of the Texas Farm Bureau. Stallman, a Colorado, County, Texas, rice producer, said some experts project a 60-cent-per-gallon hike for gasoline and diesel fuel and a 50 percent increase in electricity costs if the treaty provisions take effect.

As it now stands, the treaty would force developed nations to meet legally binding targets to reduce their greenhouse gas emissions. For agriculture, said Stallman, that would mean new regulatory controls, such as new taxes on fuels and fertilizers and limits on the planting, cultivation, harvesting and production of crops and livestock.

The impact would be severe. "Fuel and energy-related inputs such as fertilizer and pesticides account for about one-fourth of farm operation expenses," Stallman noted.

Moreover, the farm leader asserted, the new regulations "may be counter-productive." U.S. farmers, he explained, already "lead the world" in conservation practices that reduce greenhouse gas emissions. New restrictions will "interfere with these economically efficient and environmentally advanced farm management plans."

Because the proposed treaty would exempt developing nations from the new environmental controls, said Stallman, "farmers will be dealt a double blow overseas." Competitors such as Mexico, China, Chile and Argentina would be exempt. With their lower labor and production costs, he said, they would "be given a major competitive advantage."

"The agreement makes no sense," said Stallman. "It won't help the environment and it will hurt the economy."

Stallman spoke today at a Washington news conference, at which representatives from labor, industry and agriculture explained their concerns about the treaty. The agreement will next be discussed at an October U.N. meeting in Germany. A final agreement is scheduled to be reached in Japan in December. The U.S. Senate would then have to ratify the resulting treaty for it to become binding on the United States.

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