

June 25, 2009

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

The Honorable John Boehner  
Minority Leader  
United States House of Representatives  
Washington, D.C. 20515

Dear Speaker Pelosi and Minority Leader Boehner:

As a coalition of food, feed, and beverage processors, manufacturers, distributors, and retailers, we are writing to provide our perspectives on comprehensive climate change legislation that has emerged from the Energy and Commerce Committee, and how such legislation may impact our ability to place safe, abundant, and affordable food on the tables of all Americans. Collectively, we represent the chain of food suppliers that ensures Americans have access to healthy, safe, and reasonably-priced food products necessary for everyday life.

Climate change legislation will have significant direct *and* indirect impacts on the nation's supply chain of food and beverage providers, and, in turn, profound impacts on the food security of our nation. These are paramount considerations that Congress must consider and prioritize among the issues it is addressing. Legislative approaches must be carefully crafted not only to reduce greenhouse gas (GHG) emissions, but also to avoid adverse impacts on food prices and food accessibility.

While food, feed, and beverage producers account for 1.21% of the nation's direct GHG emissions, (*Carbon Risks and Opportunities in the S&P 500* at 12), we will be more affected by cap-and-trade legislation than this suggests. All members of the food supply chain are disproportionately vulnerable to indirect costs passed through by suppliers. When considering the total GHG emissions from each sector, including suppliers, the food, feed, and beverage sector has the fourth largest exposure to carbon costs—more than the chemical, retail, basic resources, and automobile and parts sectors (*Carbon Risks and Opportunities in the S&P 500* at 13). The food, feed, and beverage sector is also exposed to significant trade pressure. Yet, to date, Congress has not accounted for these disproportionate impacts on a sector that provides indispensable goods to American families.

We believe that cap-and-trade will work best if allowances are distributed proportionately to each industry's emissions, thereby mitigating the direct and indirect impacts on all regulated industries. Such a proportionate allocation would be the fairest system, because it would avoid arbitrarily picking winners and assist all industries making the challenging transition to a low-carbon economy. A fair distribution of allowances would allocate an appropriate percentage of allowances to the food, feed, and beverage sector. It would also avoid the impression that the allowances represent subsidies to favored industries—an accusation that could subject the United

States to World Trade Organization disputes and American companies to retaliatory tariffs. We cannot demonstrate international leadership by approving greenhouse gas legislation that undermines our international credibility on trade liberalization.

H.R. 2454 appears to pursue a plan of offering transition assistance to ensure a stable and affordable supply of necessities to American consumers—offering allowances to control price increases in electricity, natural gas, and home heating oil, and auctioning allowances to fund further assistance to lower income households. While we agree with developing a program that will help to offset increases in energy costs, the same consideration should be given to another indispensable necessity: food. The impact of rising domestic food prices will fall most heavily on the poorest 20 percent of Americans who spend roughly one-third of their after-tax income on food.

In addition to pressing for the equitable distribution of allowances, we intend to discuss other issues with H.R. 2454, including the inappropriateness of Clean Air Act regulatory authority for numerous facilities that emit less than 25,000 tons of CO<sub>2</sub>e per year; limitations on opportunities for offset projects; and tax and trade ramifications.

We respectfully request that Congress more thoroughly address the above concerns. Unfortunately, H.R. 2454 in its current form fails to resolve these issues. Without these corrections, we respectfully ask that Members not support passage at this time. We look forward to working earnestly with Congress on climate change approaches that balance greenhouse gas reductions with the necessity of an abundant and affordable food supply.

Sincerely,

American Feed Industry Association

American Meat Institute

Institute for Shortening and Edible Oils

National Chicken Council

National Council of Farmer Cooperatives

National Grain and Feed Association

National Meat Association

National Oilseed Processors Association

National Turkey Federation

North American Millers Association