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Cornhusker Economics

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University of Nebraska – Lincoln

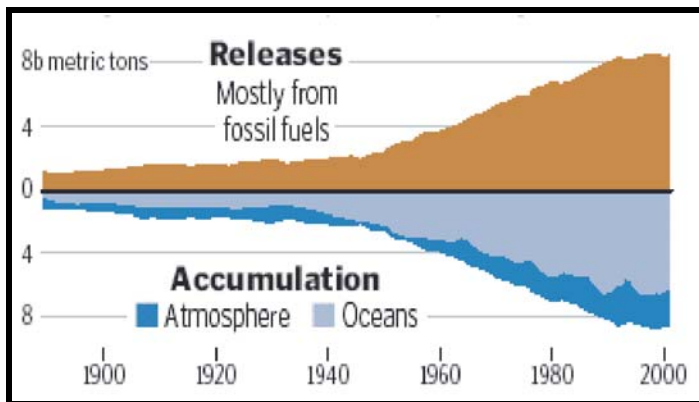
Kyoto, Global Warming and Greenhouse Gases - Missing from the Political Table?

Market Report	Yr Ago	4 Wks Ago	7/30/04
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	\$77.46	\$87.39	\$84.35
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb	107.62	141.89	134.91
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb	95.64	*	119.95
Choice Boxed Beef, 600-750 lb. Carcass	133.81	144.11	141.86
Western Corn Belt Base Hog Price Carcass, Negotiated	58.34	76.76	77.23
Feeder Pigs, National Direct 45 lbs. FOB	20.87	39.07	43.11
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	60.28	81.11	80.10
Slaughter Lambs, Ch. & Pr., 90-160 lbs., Shorn, Midwest	83.25	100.50	95.00
National Carcass Lamb Cutout, FOB	218.46	229.99	227.00
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Omaha, bu	3.49	3.64	3.36
Corn, No. 2, Yellow Omaha, bu	1.96	2.38	2.12
Soybeans, No. 1, Yellow Omaha, bu	*	9.34	5.71
Grain Sorghum, No. 2, Yellow Columbus, cwt	5.26	3.63	3.09
Oats, No. 2, Heavy Minneapolis, MN, bu	1.60	1.56	1.49
<u>Hay</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton	117.50	115.00	115.00
Alfalfa, Large Rounds, Good Platte Valley, ton	70.00	62.50	62.50
Grass Hay, Large Rounds, Good Northeast Nebraska, ton	71.25	57.50	57.50
* No market.			

A recent research report from the Woods Hole Research Laboratory shows that the burning of fossil fuels is substantially raising the carbon dioxide content of both the oceans and the atmosphere, as shown in the chart from the Boston Globe on the next page. The concern is that both the atmosphere and the ocean will eventually become overburdened with this greenhouse gas, leading to unpredictable climate and environmental changes. The gamble is substantial. It remains unclear, however, how U.S. politicians are going to interact with this problem. We can only look at indicators, such as the Boston Carbon Corporation donating 27,000 greenhouse gas certified trading certificates to cover emissions produced by participants in the recent Democratic National Convention; the Convention worked to be "green" on several fronts, including that of the greenhouse gas issue. While this indicates some political concern over global warming, the Kyoto Protocol was not brought to the table in the platform of the Democratic Party at the Convention, nor is it on the table for the Republican Convention. The matter of signing Kyoto appears a non-issue on both sides of the political fence.

At the current time a total of 123 countries representing 44 percent of the emissions have ratified Kyoto, which cannot go into effect until the countries involved account for at least 55 percent. This goal cannot be realized unless Russia and/or the U.S. ratify it, which is not likely anytime soon. Australia also has so far declined to do so. The Oil Petroleum Exporting Countries (OPEC) recently indicated they would all ratify Kyoto as soon as it becomes a fully functioning agreement; this is intriguing in that Kyoto would eventually lead to using less fossil fuel of all kinds, including oil.

In spite of the fact Kyoto will probably not go into force, Europe is moving ahead to develop the markets in carbon emission allowances, as well as in certified reductions. A major hurdle on the way to starting emissions



trading in January, 2005 was passed this month when the European Commission announced it had approved eight national plans covering 5,000 out of the estimated 12,000 plants in the 25-nation European Union, which are main emitters of carbon dioxide. Both Canada and Japan are exploring the market possibilities.

In spite of the U.S. political reluctance to become involved, there is substantial activity here. Boston Carbon's certified reduction credits were produced by capturing methane gas from a coal mine in Alabama. Dairies in California are collecting methane gas from manure; one dairy with 1,200 cows claims energy saving costs of \$30,000 (about 1/2 the annual cost) per year, while also reducing the release of greenhouse gases. Methane as well as carbon is a major source of greenhouse gas. The states of California, Connecticut, Iowa, New Jersey, New York (and New York City), Rhode Island, Vermont and Wisconsin recently filed a law suit against several large electric energy producing companies. The suit declares global warming as a public nuisance, making it the first ever legal test of

nuisance law in the case of global warming. The membership in the Chicago Climate Exchange (CCX) continues to grow, recently announcing at their first annual meeting that over one million carbon dioxide allowances have been traded on the new market since CCX was formed a couple of years back.

What do Nebraska farmers think about all this? Two surveys have now been completed in Eastern Nebraska, one representative of rainfed corn-soybean areas in the Northeastern part and the other to represent the transition areas involving both irrigated and rainfed corn-soybean regimes in the East-Central part. The focus has been on corn-soybean producers due to the interest of the U.S. Department of Energy in the possibility of drawing carbon out of the atmosphere and sequestering (storing) it in this kind of cropland. Generally, Nebraska farmers on average see global warming as a real problem, slightly more so in East-Central Nebraska than in the Northeast. There is also modest support in both areas for signing Kyoto. Results show that farmers are willing to help with this problem, especially if both conservation payments and carbon storage markets could be developed to pay for storing carbon (sequestering) in land.

Perhaps the political approaches to global warming problems and carbon sequestration opportunities will become clearer after the U.S. election this fall. With all the activity both internationally as well as within the U.S. the matter can no longer be ignored.

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Item ^a	Northeast ^b	East-Central ^c
The buildup of greenhouse gases leading to global warming is a real problem that we need to do something about.	4.60	4.89
Canada recently signed the Kyoto Protocol, which will, when fully ratified worldwide, place a cap on greenhouse gas emissions. The U.S. should sign, too.	4.12	4.26
The best incentive to get more carbon stored in farm soil is to increase government conservation payments to farmers.	4.68	5.03
The best incentive to get more carbon stored in farm soil is to create a commodity market in carbon, so farmers could sell carbon storage on the open market.	5.08	5.13
If there were a carbon storage market, someone would have to certify the amount of stored carbon that is for sale. This is best done by a government agency rather than by a private business firm.	3.85	4.08
A carbon storage market should pay for the total amount of carbon stored in soil.	5.17	5.17
A carbon storage market should pay for the annual increase in stored carbon.	5.29	5.26

^a Scale of 1 = Strongly Disagree to 7 = Strongly Agree, so 4 = Midpoint on the scale.

^b Cedar, Dakota, Dixon and Thurston Counties, all in Northeastern Nebraska.

^c Saunders County, in East-Central Nebraska.