



June 25, 2009

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
Washington, DC 20515

The Honorable John Boehner
Minority Leader
United States House of Representatives
Washington, DC 20515

Dear Speaker Pelosi and Minority Leader Boehner:

As a coalition of food and beverage manufacturers 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 abundant and affordable food on the tables of all Americans. Collectively, we represent the chain of food, beverage and consumer products manufacturers that ensure Americans have access to healthy, safe, and reasonably priced food and consumer 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 emissions, but also to avoid adverse impacts on food prices and food accessibility.

While food 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 and beverage sector is also exposed to significant trade pressure. We are concerned that Congress has not fully 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 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.

H.R. 2454 already offers transition assistance to ensure a stable and affordable supply of some 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. But the legislation ignores one 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.

We respectfully request that Congress carefully consider the impacts of climate legislation on food prices. In addition to pressing for a more 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 CO₂e per year; limitations on opportunities for offset projects; and tax and trade ramifications. 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 Bakers Association
American Frozen Food Institute
Grocery Manufacturers Association
International Dairy Foods Association
Snack Food Association