The Professional Dairy Managers of Pennsylvania (PDMP) appreciate the opportunity to submit our comments to the request by the Securities and Exchange Commission (the “SEC” or the “Commission”) for public input on the enhancement and standardization of climate-related disclosures for investors (File No. S7-10-22) (the “Proposed Rules”).

The latest research shows that the U.S. dairy industry accounts for only about 2 percent of U.S. greenhouse gas emissions. Still, dairy farmers are working on ways to reduce that figure even more: Over a recent 10-year period, dairy farming used about 21% less land, 30.5% less water, 20% less fuel, and 17% less feed. And dairy farmers have been reducing their environmental impact all while increasing our milk production with far less cows. Our work continues as the dairy industry has committed to achieving carbon neutrality by 2050. In short, dairy farmers oversee some of the most efficient, productive cows in the world to provide a supply of healthy milk for consumers and protecting the environment.

As those on the ground who invest our time and money, day in and day out, to ensure the health of our environment, we take no issue with the rest of the world joining us in this endeavor. In fact, we are relieved that those who are far removed from the daily practices we employ to protect and improve the environment are now better informed about how they too can help. But what does concern us about the proposed climate related disclosures for investors is the unimaginable burden it would place on our dairy farm families here in Pennsylvania. The 5,200 dairy farms in our state are small family farms, averaging less than 100 cows and certainly not “registrants” or otherwise subject in any way to the jurisdiction and oversight of the SEC. Our farmers have no experience or time to navigate the complexities of the SEC, so indeed the consequences are for many, unimaginable.
We grow forages to feed our cows, we milk our cows, then milk trucks come to our farms to collect our milk from farm to farm. That’s the last we see of the milk we produce, and we have no control in its ultimate use, nor even the price for which we are paid for it. In Pennsylvania, with so many small farms, many of which are Amish and Old Order Mennonite, record keeping, and reporting is not at all like that which we imagine corporations registered with the SEC employ. The Proposed Rules would be overwhelmingly burdensome and expensive, if not altogether impossible for many small and mid-sized farmers to comply with, as they require reporting of climate data at the local level. At this time, the world is still trying to identify science based, quantifiable measuring tools and techniques to even measure individual farms’ GHG contributions.

Our rural communities have already suffered greatly from farmers not being able to afford the overhead required to comply with regulatory reporting and thereby having no choice but to consolidate. Further consolidation would have far-reaching socioeconomic consequences, obliterating income for farms that support typically two and three generations of mouths to feed. They spend most of their money locally. In Pennsylvania, about 85 percent of the farm’s income is used to support local businesses and the community tax base. In doing so, dairy farms create a ripple effect on both the agricultural industry and the economic well-being of the commonwealth. When a dairy farm spends money locally, it creates a multiplier effect more than two times the original dollar. In other words, for every one dollar a dairy farm spends, roughly $2.50 in wages and related business transactions is contributed to the local economy.

Pennsylvania can ill afford further consolidation that could seriously impede the ability of our local communities to fund education, social services and access to health care. It is important to also realize that farming and ranching plays a vital role in the social fabric of rural communities that largely revolve around the agricultural industry, especially Pennsylvania’s small and medium-sized farms. We are concerned that, with good intentions, the SEC has not fully considered nor has sufficiently sought to mitigate the potential socioeconomic impact of the Proposed Rules on our rural agriculture communities. It is the trickle-down impact that the Proposed Rules could have on our family farms that we believe must be thoroughly considered and addressed.

We implore the Commission to consider:

- removing the “value-chain” concept from the Proposed Rules;
- removing or substantially revising the Scope 3 emissions disclosure requirement to include a carveout for the agricultural industry;
- providing guidance with respect to the Consolidated Appropriations Act’s (2022) (the “CAA”) prohibition on mandatory GHG emissions reporting for manure management systems;
- revising the Proposed Rules so that disclosures of GHG emissions operate in unison with existing federal emissions reporting programs; and
- ensuring the Final Rules do not include location data disclosures for GHG emissions, which may inadvertently disclose the private information of our farms

The proposal defines “value chain” vaguely, extending upstream to “supplier activities” without a clear limitation and extends to an ill-defined downstream scope. All our dairy
Farms, irrespective of size, at some point find themselves in the upstream or downstream activities of a registrant’s value chain. The dairy and other agriculture supply chain is extremely diverse in terms of the products produced and the various roles in which the products play in the creation of a variety of other products as well. Forcing the agriculture industry to disclose the litany of different ways in which our products are used will disproportionately impact our farm families. Many registrants will receive dairy components at different steps throughout their value chain. Further, asking registrants to evaluate all the material risks arising from all of the small- and medium-sized farms in their respective value chain will lead to further consolidated supply lines, harming our markets for the milk we produce on the farm and in turn, our rural communities in the process.

If registrants are going to have to demand additional data and information from farmers that are not accessible, they will likely end up purchasing with only with larger farmers in other states that have more sophisticated data gathering and reporting systems or to simply vertically integrate their supply chains, leading to further consolidation. This, Pennsylvania’s agriculture-based economy cannot afford.

The average family farm already must take significant time away from the actual business of farming to demonstrate compliance with a tangled web of federal, state, and local regulation. A farm is not a power plant where a known quantity of fuel produces a known quantity of energy. On any given day, a dairy farm may require more or less water, more or less fertilizer or crop protection products. Tracking such fluctuations in the context of GHG emissions would be daunting, at best. Additionally, the likelihood that estimation methodologies will change over time risks causing confusion.

Inevitably, a significant cost of the proposed Scope 3 disclosure would be borne by the least able to afford it—small- and medium-sized farms. That’s Pennsylvania dairy farms in a nutshell. Our producers already deal with high commodity market volatility, on our inputs and our raw milk. We fear that the Proposed Rules could lead to a market shift whereby registrants prefer to use only those farms that can afford to invest in the controls and processes necessary to track emissions down to the product level. That puts PA dairy families out of business. Surely, the SEC does not intend such a disastrous consequence for small- and medium-sized farms; leading to further monopolization and consolidation within the agriculture sector (harming farm families and consumers).

If our farm families must invest in technology and controls to comply with SEC regulations, they will be less able to invest in renewable or sustainable technology that could actually reduce the environmental footprint of the farm or ranch. Does it not defeat the purpose if best management practices on the farm must be put aside in favor of emissions reporting and tracking software so that these farms do not risk losing business with their registrant partners?

We also urge the SEC not to require registrants to provide location data for its GHG emissions in the Final Rules as this causes serious privacy concerns for our farmers. If registrants are required to disclose the location of sources of GHG emissions in their value chain, this may inadvertently reveal to the public data about a farmer at a particular location. Courts have protected farmers from disclosure of personal
information and have recognized that farmers are uniquely situated in that they generally live on their farm, meaning that business information is also personal information.

If the SEC resolves to retain Scope 3 reporting requirements, we urge the SEC to make clear in any Final Rule that it will accept publicly available datasets as sufficient to satisfy Scope 3 reporting requirements. That will still provide shareholders with accurate information, while at the same time eliminate the burden on supply chain market participants.

Multiple federal agencies already create annual reports and methodologies related to agricultural industry GHG emissions. The EPA issues an annual GHG emissions and sink inventory which breaks down agricultural industry emissions. The U.S. Department of Agriculture (USDA) also already provides life cycle analyses for individual segments of production agriculture, providing emissions per pound, bushel, or in the case of milk hundred weight (depending on the commodity). The combination of these publicly available datasets should be sufficient for registrants to calculate supply chain emissions without asking for individual producer data.

By explicitly allowing registrants to use publicly available datasets to satisfy reporting requirements might alleviate most if not all of our concerns related to calculating emissions, risk of liability, risk related to location data, and misalignment with existing reporting programs. Perhaps the SEC could streamline this and save our dairy farms by making clear that registrants need not seek information from the supply chain directly but can instead rely on government-developed calculations and inventories.

Dairy farmers, and all in food production these days, face what in too many cases are insurmountable challenges. We hope that our comments on the Proposed Rules will have bearing on the SEC moving forward and appreciate the opportunity to provide them.

Respectfully submitted,
Professional Dairy Managers of Pennsylvania