

14 June 2022

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Comments by Wyoming Farm Bureau Federation on SEC's Proposed Rules on the Enhancement and Standardization of Climate-Related Disclosures for Investors (File No. S7-10-22) via email to rule-comments@sec.gov.

Dear Ms. Countryman,

The Wyoming Farm Bureau (WyFB) appreciates 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").

Wyoming Farm Bureau represents agricultural producers throughout the state of Wyoming who grow food and fiber for the nation. Wyoming is 5th in barley production, 8th in sugar beet production, 2nd in wool production and 14th in the number of beef cows. Despite these numbers Wyoming producers have the largest acreage of farms or ranches in the nation. This points to the fact that Wyoming's climate requires larger sized operations to generate these products than other states. The capital requirement for these operations is considerable. For instance, fuel costs per capita in Wyoming are some of the highest because of our low population and expenses.

Beef production is the largest economic sector in Wyoming. These ranchers largely use rangelands to produce food with forage that cannot be utilized in any other fashion. Many of these producers are small to medium sized operations who carry on their ranching traditions, in many cases into the 4th or 5th generation, while supporting their communities through participation in local school boards, conservation districts or county commissioners. Increasing regulatory costs on these producers can have a significant impact on their ability to absorb those costs.

Without changes and clarifications, the Proposed Rules would be wildly 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. When farmers and ranchers cannot afford the overhead required to comply, they will have no choice but to consolidate. Such consolidation would have far-reaching socioeconomic consequences, including further eroding rural tax bases. Because of population decline in rural communities, farmers and ranchers are already bearing a

greater share of the tax burden for rural communities.¹ If further consolidation were to occur, it could seriously impede the ability of local communities to fund education, social services and access to health care. It is also important to realize that farming and ranching plays a vital role in the social fabric of rural communities that largely revolve around the agricultural industry, especially small and medium-sized farmers and ranchers. We do not believe the SEC fully considered nor has sufficiently sought to mitigate the potential socioeconomic impact of the Proposed Rules on agricultural communities. We also believe that the Proposed Rules will not only adversely impact farmers and ranchers, but also harm consumers and erode the strength of America's agricultural industry. To avoid these consequences, in the final adopted rules (the "Final Rules") we highly encourage the Commission to consider the following:

- remove the "value-chain" concept from the Proposed Rules;
- remove or substantially revise the Scope 3 emissions disclosure requirement to include a carveout for the agricultural industry;
- remove the requirement that registrants provide disclosures pertaining to their climate-related targets and goals;
- provide guidance with respect to the Consolidated Appropriations Act's (2022) (the "CAA") prohibition on mandatory GHG emissions reporting for manure management systems;
- revise the Proposed Rules so that disclosures of GHG emissions operate in unison with existing federal emissions reporting programs;
- ensure the Final Rules do not include location data disclosures for GHG emissions, which may inadvertently disclose the private information of our members; and
- disimply a private right of action for Scope 1, 2, and 3 disclosures.

1. The Proposed Rules' Focus on the "Value-Chain" Concept Will Place Harmful Burdens and Costs on Farmers and Ranchers.

The requirement in the Proposed Rules for registrants to gather information from their value chain as it relates to climate-related risks and impacts from those risks and Scope 3 emissions will be extremely detrimental to farmers and ranchers.

¹ Maureen Manier, *Study: Rural-urban divide grows in response to decades of state overhauls*, Purdue University (Jul. 15, 2020), available at <https://www.purdue.edu/newsroom/releases/2020/Q3/study-rural-urban-fiscal-divide-grows-in-response-to-decades-of-state-tax-overhauls.html> (Stating that "[r]ising farmland values improve a rural county's ability to fund its basic services, but they also mean that more tax burden is placed on the shoulders of farmers as their county population declines.")

The proposal defines “value chain” vaguely, extending upstream to “supplier activities” without a clear limitation and extends to an ill-defined downstream scope. Nearly every farmer and rancher, irrespective of size, at some point finds themselves in the upstream or downstream activities of a registrant’s value chain. The agriculture supply chain is also 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 (e.g., corn for livestock consumption as feed versus ethanol production as fuel).² Forcing the agriculture industry to disclose the litany of different ways in which our products are used will disproportionately impact our members. Many registrants will receive products from farmers and ranchers at different steps throughout their value chain. Further, asking registrants to evaluate all the material risks arising from all the small- and medium-sized farms or ranches in their respective value chain will lead to further consolidated supply lines, harming the nation’s rural communities in the process.

Moreover, registrants will likely demand additional data and information from farmers and ranchers or default to engaging only with larger farmers and ranchers that have more sophisticated data gathering and reporting systems or to simply vertically integrate their supply chains, leading to further consolidation.

In fashioning any Final Rule, the SEC should remove the expansive “value chain” concept, which departs from historical SEC materiality standards, is overly vague, would impose considerable burdens onto registrants, and harm farmers and ranchers.

2. Mandatory Scope 3 Emissions Disclosures Will Squeeze Out Small and Mid-Sized Farmers and Ranchers.

Under the Proposed Rules, a registrant would be required to disclose Scope 3 emissions if such emissions are material or included in a previously disclosed emissions reduction target or goal. The Proposed Rules define Scope 3 emissions as, “all indirect GHG emissions not otherwise included in a registrant’s Scope 2 emissions, which occur in the upstream and downstream activities of a registrant’s value chain.” Our small and medium-sized farm and ranch members are deeply concerned about the indirect economic effects of Scope 3 emissions disclosures and the impact on data privacy.

The Proposed Rules will inevitably require registrants to pass the costs and burdens of reporting Scope 3 emissions onto farmers and ranchers. This is particularly problematic for our small to medium-sized family-owned farms and ranches, which are already dealing with increased production costs due to inflationary pressure and global supply chain disruptions. The burden of providing such disclosures and the estimation process would be hard for farmers and ranchers to overcome. The average family farm already takes significant time away from the actual business

² As an example of the complexities in the system, ethanol is generally produced from corn. Its production into ethanol, which happens through fermentation, generates CO₂. Much of that CO₂ is captured and then transformed into dry ice which is often utilized at meat packing plants. As well, distiller grains, a byproduct of the ethanol industry, are routinely sold and consumed as feed for livestock.

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 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. Additionally, the likelihood that estimation methodologies will change over time risks causing confusion.

Further, and as the USDA acknowledges, data shows that the profitability of farmers and ranchers increases with scale.³ Meaning, 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 and ranches. Because our small and medium-sized members often deal with thinner profit margins compared to their large peers,⁴ 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.⁵

We believe that such a consequence would be disastrous for our small and medium-sized farms, lead to further monopolization and vertical consolidation within the agriculture sector (harming farmers, ranchers and consumers) and severally erode the gains made by farmers and ranchers from historically underrepresented backgrounds.

Additionally, the farmers and ranchers that can afford to invest in such technology and controls will be less able to invest in renewable or sustainable technology that could actually reduce the environmental footprint of the farm or ranch. For example, modernized irrigation systems that would reduce a farm's water consumption, or reduced nitrogen fertilizer applications that would improve farming (land) regeneration, will be put aside in favor of emissions reporting and tracking software so that these farms and ranches do not risk losing business with their registrant partners.

Therefore, we believe that the Commission must remove the Scope 3 emissions disclosure in its entirety, or, alternatively, the Commission should provide a specific carveout for the agricultural industry. Such a carveout should explicitly make clear that registrants do not need to include Scope 3 emissions from the agricultural industry in their respective disclosures. This type of carveout is not unprecedented, and Congress has previously provided similar exemptions for the

³ See Robert A. Hoppe, Profit Margin Increases With Farm Size, U.S. Department of Agriculture (Feb. 2, 2015), available at <https://www.ers.usda.gov/amber-waves/2015/januaryfebruary/profit-margin-increases-with-farm-size/>.

⁴ See *id.*

⁵ It is important to realize that not everything produced for sale on a farm or ranch emits the same amount of GHG emissions and farms and ranches sell multiple products all of which emit varying levels of GHG emissions. Thus, our members will need to individualize their GHG emissions calculations down to the product level, which will cost even more resources than a system that purely tracks all gross emissions for a single product output.

agricultural industry, such as Section 437 of CAA (discussed in Section 4).⁶ By including such a carveout for the agricultural industry, the Commission would avoid the externalities associated with such a complex and difficult reporting regime while also preserving the competitiveness of the agricultural industry.

3. Mandatory Disclosures on Climate-related Targets and Goals Will Disincentivize Registrants From Using Sustainable Agricultural Products.

Our members are concerned that the Commission’s Proposed Rule on climate-related targets and goals could disincentivize companies from setting targets in the first place, diminishing the ability of farmers and ranchers to economically capitalize on climate-smart agriculture opportunities. Given the level of granularity and detail the Proposed Rule requires for companies that make such targets and goals, it seems reasonable that this will cause some registrants to not set them in the first place or cause other registrants to retract previously set targets or goals.

4. The SEC Should Provide Guidance to Registrants on How They Should Exclude GHG Emissions From Manure Management Systems in Their GHG Emissions Disclosures.

The SEC should provide guidance on how registrants should report GHG emissions in light of the prohibition on GHG reporting set forth in Section 437 of CAA.⁷ Section 437 of the CAA states that “[n]otwithstanding any other provision of law, none of the funds made available in this or any other Act may be used to implement any provision in rule, if that provision requires mandatory reporting of greenhouse gas emissions from manure management systems.”⁸ Section 437 prohibits all agencies government-wide—including the SEC—from using funds to require mandatory reporting of GHG emissions from manure management systems.⁹ This prohibition extends to the use of non-appropriations funds (*e.g.*, Section 31 fees) as money received by the government would be deposited in the Treasury per the Miscellaneous Receipts Act, and use of such funds would still be considered a federal appropriation.¹⁰ Under the Proposed Rules, presumably, registrants would be required to disclose GHG emissions from manure management systems as the Proposed Rules provide no guidance with respect to how a registrant should exclude such emissions from its GHG emissions disclosure and manure management is a significant part of dairy, meat, poultry and protein production.

Manure management systems are ubiquitous features of farms and ranches, and our members are concerned with the lack of guidance with respect to the CAA prohibition and the

⁶ See Consolidated Appropriations Act, 2022, H. R. 2471—372, 117th Cong. §437 (2022).

⁷ Consolidated Appropriations Act, 2022, H. R. 2471—372, 117th Cong. §437 (2022).

⁸ *Id.*

⁹ *See id.*

¹⁰ Congressional Research Service, Congress’s Power Over Appropriations: A Primer, (Jun. 16, 2022), available at <https://crsreports.congress.gov/product/pdf/IF/IF11577>.

SEC's Proposed Rules. Therefore, our organizations and members recommend that the SEC should clearly indicate that registrants operating manure management systems are not required to disclose such GHG emissions and provide guidance to registrants and auditors on how they should exclude such emissions from their respective mandatory GHG disclosures.

5. Location Data About the Source of Emissions May Create Privacy Concerns for Farmers.

Question 108 of the proposing release requests if the SEC should require registrants to provide location data for its GHG emissions in the Final Rules.¹¹ We urge the SEC not to adopt such a requirement in Final Rules as this may result in serious privacy concerns for 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. Greater access to farmer data creates serious privacy concerns. 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.¹²

6. The Final Rules Should Provide A More Robust Safe Harbor That Precludes All Implied Private Rights of Action for Alleging Defects in Quantitative Scopes 1, 2, or 3 disclosures.

In the Final Rules, the Commission should provide a stronger safe harbor for the disclosures of Scopes 1, 2 and 3 emissions. Under the Proposed Rules, Scope 3 disclosures are deemed not fraudulent unless made or reaffirmed “without a reasonable basis” or disclosed “other than in good faith.” However, we don't believe this would serve as a meaningful roadblock to litigation for a plaintiffs' class action counsel who routinely pleads around this requirement.

To remedy these concerns, we believe that the Commission can and should provide a more robust safe harbor that precludes all implied private rights of action alleging defects in quantitative Scopes 1, 2 or 3 disclosures. The Commission's authority to disimply the Rule 10b-5 private right of action for Scopes 1, 2 or 3 disclosures is supported both by prominent legal scholars and the Supreme Court.¹³ A robust safe harbor of this nature would provide the appropriate level of liability protection for Scopes 1, 2 or 3 disclosures and incentivize registrants to provide voluntary disclosures. As well, the SEC and the Department of Justice would retain the authority to institute

¹¹ The Enhancement and Standardization of Climate-Related Disclosures for Investors, 87 Fed. Reg. 21334, 21382 (Apr. 11, 2022).

¹² See *American Farm Bureau Federation v. EPA*, 836 F.3d 963 (8th Cir. 2016) (public disclosure of farmers' personal information would constitute a “substantial” and “clearly unwarranted invasion of privacy” and is therefore exempt from disclosure under the Freedom of Information Act). See also *Campaign for Family Farms v Glickman*, 200 F. 3d 1180 (8th Cir. 2000) (whether acting in a personal capacity or as a shareholder in a corporation, disclosure of financial records of individually owned businesses invokes need of personal privacy exemption, citing *National Parks & Conservation Ass'n v Kleppe*, 547 F.2d 673 (D.C. Cir. 1976)).

¹³ See Joseph A. Grundfest, *Disimplying Private Rights of Action Under the Federal Securities Laws: The Commission's Authority*, 107 Harvard Law Review 961-1024 (1994); see also, *Stoneridge Investment Partners, LLC v. Scientific-Atlanta, Inc., et al.*, 552 U.S. 148 (2008).

proceedings alleging defects in Scopes 1, 2, or 3 disclosures—providing the intended deterrent effect and ability to police against fraud—while minimizing the externalities, both in terms of increased insurance premiums and legal fees associated with such a novel and expansive disclosure regime as the Proposed Rules.

7. Potential Legal Challenges to the Proposed Rules.

In addition to the concerns with the specifics of the proposal, we urge the Commission to consider whether it has the legal authority to implement the Proposed Rules. For one, requiring this type of expansive disclosure raises questions under the compelled speech doctrine. Many registrants publish sustainability reports and are voluntarily trying to meet investor demand for climate-related disclosures. However, the Proposed Rules could be viewed as the Commission seeking to compel such speech in the form of SEC disclosures. Because of the magnitude of the SEC’s proposal that cuts across every aspect of the U.S. economy—and beyond—the Commission should consider whether this is a matter for Congress to act or direct before embarking on this rulemaking. Further and along the same lines, the SEC should revisit whether the Commission’s existing statutory authority granted to it by Congress is sufficient to require the detailed disclosure of climate-related metrics, and in particular, whether the Proposed Rules satisfy the requirements set forth in Section 13(a) of the Exchange Act.¹⁴ The SEC should strongly consider these and other legal principles before finalizing a climate-related disclosure rule.

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We appreciate the opportunity to provide comments on the Proposed Rules and would be happy to discuss these comments and our members’ concerns or provide you with further information to the extent you would find it useful.

Respectfully submitted,



Ken Hamilton, EVP

Cc: Congressional Delegation; WyFB Board; SGA

¹⁴ See generally 15 U.S. Code § 78m(a).