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The Honorable Gary Gensler
Chair
United States Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

RE: The Enhancement and Standardization of Climate-Related Disclosures for Investors, File Number S7-10-22

Dear Chairman Gensler:

The National Council of Farmer Cooperatives (“NCFC”) appreciates the opportunity to provide the following comments on the rulemaking entitled, “The Enhancement and Standardization of Climate-Related Disclosures for Investors,” File Number S7-10-22, proposed by the Securities and Exchange Commission (the “Commission”).

American agriculture is a modern-day success story. America’s farmers produce the world’s safest, most abundant food supply for consumers at prices far lower than the global average. Farmer cooperatives – businesses owned, governed, and controlled by farmers and ranchers – are an important part of the success of America’s agricultural supply chain. Since 1929, NCFC has been the voice of America’s farmer-owned cooperatives. NCFC members include regional and national co-ops, which in turn comprise over 2,000 local farmer cooperatives across the country. The majority of America’s 2 million farmers and ranchers belong to one or more farmer cooperatives.

We have an extremely diverse membership, which we view as one of our sources of strength – our members span the country and handle, process, and market almost every type of agricultural commodity; furnish farm supplies; and provide credit and related financial services, including export financing. Earnings from these activities are returned to their farmer members on a patronage basis, helping improve their income from the marketplace. Farmer cooperatives also provide over 250,000 jobs, with a total payroll in excess of \$8 billion, and contribute significantly to the economic well-being of rural America.

NCFC members include:

- Marketing cooperatives – which handle, process and market virtually every commodity grown and produced in the United States.

- Bargaining cooperatives – which bargain to help their farmer members obtain reasonable prices for the commodities they produce.
- Farm supply cooperatives – which are engaged in the manufacture, sale and/or distribution of farm supplies and inputs, as well as energy-related products, including ethanol and biodiesel.
- Credit cooperatives – which include the banks and associations of the cooperative Farm Credit System, and which provide a competitive source of credit and other financial services, including export financing, farmers, and their cooperatives.

NCFC upholds four core values as it works to advance the business and policy interests of America’s cooperatives and other farmer-owned enterprises. These values are (1) farmer ownership and control in the production and distribution chain, (2) continued economic viability of America’s farmers, ranchers, and the businesses they own, (3) the stewardship of the natural resources entrusted into their care, and (4) vibrant rural communities.

Whether it means ensuring families have food on the table or supporting employees who serve double duty as volunteer firefighters and emergency rescue personnel in their communities, farmer cooperatives regularly and as a normal course of their operations step up when it counts. Some programs address immediate needs such as disaster relief while others occur year after year until they become a neighborhood tradition. No matter the occasion, cooperatives go far beyond their normal business activities to actively help meet the needs in their local communities.

America’s farmer cooperatives and their farmer-owners are on the frontlines of a changing climate. As stewards of the land, they have enormous opportunities to drive solutions that reduce greenhouse gas emissions, increase carbon sequestration and storage, build resilience to the changing climate and drive sustainability across the supply chain. It is for these reasons that NCFC became founding co-chair of the Food and Agriculture Climate Alliance (“FACA”) which consists of more than 80 organizations representing farmers, ranchers, forest owners, agribusinesses, manufacturers, the food and innovation sector, state governments, sportsmen and sportswomen, and environmental advocates. Our organizations have come together to develop and promote shared climate priorities.

As a founding member of FACA, we are proud to be part of the solution by supporting voluntary, market- and incentive-based policies, advancing and accelerating science-based outcomes, and promoting resilience and helping rural economies better adapt to climate change.

Over the past two years, FACA members have worked to find areas of common climate policy interest and formulated over 40 specific policy recommendations. The FACA policy recommendations and full list of members can be viewed at <https://agclimatealliance.com/>.

FACA supports innovative and voluntary solutions involving our working lands to reduce greenhouse gas (“GHG”) emissions, increase carbon sequestration and storage, build resilience to the changing climate, and drive sustainability across the supply chain. In April, FACA submitted to U.S. Department of Agriculture (“USDA”) [recommendations](#) around a new pilot program to scale climate-smart agriculture and forestry (“CSAF”) practices, remove barriers to adoption, standardize

accounting protocols and verification requirements, and ensure equitable opportunities for participation.

We are pleased to see USDA embracing an incentive-based approach to advance the voluntary deployment of climate-smart practices on working lands. The newly announced Partnership for Climate-Smart Commodities has the potential to unlock new markets and increase demand for commodities produced using climate-smart practices while building confidence in their climate benefits.

While this work at USDA aims to explore best practices in monitoring, measuring, reporting, and verifying (“MMRV”) protocols to create systems that are key yet missing components to addressing climate change and determining the climate impact of various farming systems, the exploration, understanding and acceptance of these best practices within USDA and the agriculture industry as a whole are still in their infancy. We have significant concerns that the Commission’s proposed rule seemingly undermines what USDA, and the agriculture industry are currently trying to do in a voluntary manner and believe that improvements to this proposed rule would protect producers from some of the unintended burdens that would be placed on them.

Compliance Obligations of the Proposed Rules

The farmers and ranchers who are members of our member cooperatives are concerned about the obligations that may be indirectly imposed on them through information demands of the public company purchasers of agricultural products to meet their Scope 3 emission reporting requirements. We request that you consider the following:

Producers Are not the Intended Targets of the Rules but May Have Material Obligations Related to Scope 3 Reporting

The Commission’s rulemaking is aimed at public companies, which have internal and external legal and accounting teams in place to manage their reporting obligations and the financial resources to handle additional reporting obligations. Producers would not be directly regulated by the proposed rule, but if the information gathering requirements for Scope 3 emissions are not clarified we expect they would be asked to provide substantial information regarding their emissions in order to allow their downstream purchasers to meet the purchasers’ Scope 3 obligations. We expect that large purchasers of agricultural products, including grocery and other retail chains, will identify the emissions of their value chain as material and, as a result, be required to report Scope 3 emissions data.

This issue is exacerbated by the lack of definition of the term “value chain” within the proposed rule, which refers to “supplier activities” without further explanation of how far upstream reporting companies must analyze. For a reporting company, an expansive view of “value chain” would require analyzing risk and reporting on GHG emissions from parties that are multiple steps removed from its direct suppliers, which parties the reporting company has no visibility to identify for purposes of risk analysis and information gathering. For producers, this means that they have no ability to determine or control whether their products end up being purchased by reporting companies who will require that they provide GHG disclosure information. A more specific and

narrower definition of “value chain” that refers to suppliers and customers would mitigate this issue for both reporting companies and parties whose products are purchased by reporting companies with intermediary parties in between.

Financial Obligations on Producers Could be Substantial

Agriculture producers lack sophisticated technological systems to track emissions. This technological limitation is compounded by the fact that many producers grow different commodities with different emissions footprints, such that accurate reporting would require specific allocation among different commodities. As the data required to provide information for Scope 3 reporting does not exist, producers would need to make significant investments in new tools and procedures to produce emissions data. Further, due to limited access to highspeed broadband internet in many rural areas, producers often have difficulty implementing technological solutions.

Moreover, producers lack the administrative staff to respond to information requests from a variety of downstream purchasers, which are often on different forms and require different information. If producers are unable to gather this data, they may lose sales because they are unable to meet the information requirements under purchase and supply contracts.

This potential of added costs also comes at a time when producers are already hard hit by price increases for fuel, seed, livestock feed, fertilizer, and other farm and ranch materials.

Further, to the extent that agriculture cooperatives and their member producers have budgets or funding for climate mitigation and other environmental improvement efforts, the requirement to invest in reporting staff and systems will reduce funds that would otherwise be available for projects that would directly improve environmental impact. For example, instead of hiring agronomists to work with members to implement climate best practices, agriculture cooperatives would be forced to hire staff to assist members with tracking and reporting emissions data.

Potential Liability

In addition to the information gathering costs, if producers are requested by downstream purchasers to provide emissions data, they may face liability because of the challenges in gathering accurate emissions data and allocating emission among commodities. Although the proposed rule incorporates limitations on liability for reporting companies in connection with Scope 3 data furnished in their filings, the same limitation would not directly carry through to parties in the supply chain who are providing information under obligations of supply or purchase contracts, which may be breached by inadvertently providing inaccurate data.

Mandates Will Unfairly Burden Small and Medium Producers and Potentially Impact Competition

If reporting companies feel that they are required to demand producer level data, small and medium producers will be hardest hit by the additional record keeping and administrative burden and the capital investment required to meet these demands. Increasing the capital requirement for farmers and ranchers will push small and medium producers toward consolidation when they cannot afford the additional overhead. Farmers and ranchers from historically disadvantaged groups, who USDA

has sought to bring into the industry through pilot programs, would be hardest hit by additional overhead requirements. Consolidation has far reaching consequences for rural communities as producers are pushed from their farms and ranches.

Privacy and Competition

If producers are required to report their emissions data to their purchasers, it will give specific data regarding the producers' operations and cost structure, which would be competitively harmful and give large purchasers even greater pricing power. This data could also be used against producers in a variety of other ways, such as identifying potential producers for acquisition and aiding in pricing of acquisition offers.

Potential Improvements for the Proposed Rule

Clarify the Reporting Obligation Expected of Third Parties for Scope 3 Reporting

We strongly suggest that the Commission clarify that reliance on data derived from government statistics, industry associations, or other third-party sources outside of a company's value chain, including industry averages of emissions, activities, or economic data is an appropriate and sufficient method for reporting Scope 3 emissions, especially where gathering emitter-level data from the parties in the supply chain would be unduly burdensome on such parties. Such an approach would reduce the burden on small companies and individual operators in the agricultural industry and across the economy by minimizing the pressure on reporting companies to seek information directly from producers in their supply chains. This approach could be further implemented through materiality standards for sources of reporting, such that a reporting company would not be required to seek emissions information from a party in its supply chain unless the party was a material contributor to the reporting company's Scope 3 emissions.

We believe that industry level reporting would be the appropriate approach for agriculture because GHG emissions are often driven by similar production aspects utilized by the agriculture sector. Most farmers or ranchers are engaged in commodity production, where the commodity is or functions as a raw material for further processing and sale to customers in the supply chain. One unit (bushel, bale, gallon, pound, ton, etc.) of a commodity produced in a sector not only is indistinguishable from all the other units produced in that sector, but uniformity is also the reason the sector is able to succeed. Uniformity makes possible the efficient processing of the commodity in the bulk amounts needed to economically create further value-added products with the uniform qualities demanded by customers. The farm or ranch level commodity-producing activities in this system are actively managed to create that uniformity and producers are commonly penalized (i.e., reductions in prices paid) if certain key qualities are not present at the needed level.

The types of equipment, technologies and agricultural practices used in raw agricultural commodity production themselves function like commodities. Successful farmers and ranchers use standardized equipment, technologies, and agricultural practices. Those that do not use such methods typically have higher costs and lower returns. Agricultural sector life cycle analyses (LCAs) have conclusively shown that GHG emissions are determined by equipment and the associated

technologies and practices. The GHG footprint of an individual farming and ranching operation is therefore highly predictable.

Three practical implications are particularly important to estimating the GHG emissions of agricultural production.

1. The GHG footprint of an individual agricultural commodity operation can be accurately and reliably determined from sector-wide averages derived by sector LCAs.
2. These sector averages are based on studies supported by resources and expertise needed to ensure their accuracy.
3. Farmer can generate valuable GHG emissions reductions beyond the sector averages.

Raw agricultural commodities are co-mingled early in the supply chain. Occasionally, food companies purchasing agricultural commodities contract with specific growers. However, in practice, given the strength and accuracy of sector-wide averages based on sector LCAs as discussed above, use of industry averages to estimate a contract grower's emissions will be the most accurate and cost-effective method of data collection.

Guidance on Industry Reporting

At the level of reporting industry data, it would be beneficial for the Commission to identify additional lead accounting and reporting standards and/or processes for acceptable means of determining GHG emissions and equivalents from agricultural practices. Most commodity sectors within the agricultural industry have long-established alliances to address issues surrounding sustainability and reduce the environmental impacts of raising crops and livestock. Within the work of these alliances exists life cycle assessments ("LCA") of agricultural commodities that are scientifically founded and peer-reviewed for accuracy. As these LCAs have broad industry acceptance as accurate representations of a commodity's environmental impact, we suggest the Commission look to these leading industry bodies as trusted sources for reporting on Scope 3 emissions from agricultural commodities. Similarly, the EPA's GHG emissions inventory is an annually produced, widely trusted report. These sources, together with other trusted public and private sources, would be sufficient for reporting companies to determine their supply chain emissions. In addition to benefitting producers who would not be required to invest in tracking systems, the ability to rely on high quality industry data would provide certainty for reporting companies in reporting their emissions and analyzing their risk.

Protection of Producer Privacy

The Commission requested comment on whether reporting companies should be required to report emission location data. We urge the Commission not to require location data in the final rule, or at minimum to exempt agriculture producers, as requiring location data would create serious privacy concerns for farmers and ranchers. Disclosing emissions data with location information may disclose identifiable information for individual farmers and ranchers. Unlike other producers, farmers and ranchers generally live at their farm or ranch, which makes business information personal information.

Uniformity of Standards Across Agencies

We ask the Commission to work with USDA to ensure that the methods for reporting Scope 3 emissions are consistent with the USDA's practices for measuring and reporting agricultural emissions. Providing agriculture-specific rules would standardize the approach within the industry, which would be consistent with other commenters urging industry-specific approaches based on the very different climate implications for different industry sectors.

Delay Implementation of Scope 3 Reporting

Given the time required to develop industry level reporting standards, we recommend that the Commission delay the implementation of Scope 3 reporting for a period of five years from adoption of the final rule. The five-year time period would conform to USDA timing for development and implementation of pilot projects funded through its Partnerships for Climate-Smart Commodities Program. During the five-year period following initial funding, the program will focus on understanding the benefits of CSAF practices by helping the industry identify accurate methods of quantifying, monitoring and verifying climate gains made in agriculture. Following this five-year analysis, USDA will identify industry best practices based on sound, peer-reviewed science. Requiring producers to provide GHG emissions information regarding their operations without MMRV standards in place that are supported by USDA is unreasonable and will not achieve the SEC's goal to provide accurate, science-based Scope 3 emissions reporting from the agriculture industry.

Conclusion

The National Council of Farmer Cooperatives appreciates the opportunity to share our views on the proposed climate change rules, and we hope that you will strongly consider the potential effects of the proposed rules on the farmers and ranchers who are vitally important to the economies of rural America.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. F. Conner', written in a cursive style.

Charles F. Conner
President & CEO