

Written Testimony from William Schultz, Schultz Fruitridge Farms Inc.
**To the U.S. House Committee on Financial Services Subcommittee on Oversight
and Investigations**

***“Oversight of the SEC’s Proposed Climate Disclosure Rule: A Future of Legal
Hurdles”***

January 18, 2024

Chairman Huizenga, Ranking Member Green and Members of the Subcommittee:

My name is Bill Schultz, and it is my honor as Vice President of Schultz Fruitridge Farms Inc. to come before you today to speak about a proposal that could negatively impact our multi-generational family business. Thank you for your time and I greatly appreciate the opportunity to share my perspective on behalf of my family and my industry.

Our family farm story started with my grandparents, Victor and Dorothy Schultz. After Victor's service as a P-51 pilot during World War II, my grandparents married in 1945. A few years later in 1951 they decided the farm life was for them, moved to Mattawan, and purchased an 80-acre fruit farm.

I represent the third generation of my family to grow fruit in Southwest Michigan. I farm in partnership with my parents and my three siblings. We produce a wide variety of crops including apples, peaches, grapes, and cherries, along with operating a U-Pick farm market and farm-to-table restaurant. Growing fruits and vegetables on 300 acres for our customers and community is a very fulfilling experience and I consider it a privilege. Seeing the smiling faces on the thousands of families and sharing the story of agriculture as they visit our farm each season is priceless.

I have the opportunity to interact with roughly ten thousand consumers annually. I enjoy spending my Saturday mornings working at our local farmers market, engaging with customers, and educating them on the happenings out on the farm. We get involved with our local schools to get fresh apples into the lunch program. Further, every season we make an effort to donate some of our farm's bounty to local food pantries. We are our community's farm in so many ways.

I appreciate this opportunity to offer a farmer’s perspective on the Securities and Exchange Commission’s (SEC) proposed rule on climate-related disclosures, in particular the Scope 3 emissions reporting requirements. The SEC proposal would require extensive reporting by

public companies on their Scope 3 emissions, which are the result of activities not owned or controlled by the company but are in its supply chain.

I expect most family farms in America will be impacted by this proposal as it's currently written because these farm products end up in the value chains of public companies – whether it's a grocery store, a fertilizer company, a packer, or any of the other public companies with which we regularly do business – and are therefore included under Scope 3.

These companies will inevitably push the effort and cost of gathering data onto their value chain, specifically to farms like ours. As a farmer, we are used to doing business with the USDA, but – up to now – we've never considered the SEC would have a role in the work of our family farm. Our focus is on growing the food, fuel and fiber this country needs, and being subjected to regulations intended for Wall Street does nothing to advance that work.

Unnecessary Consolidation of Family Farms

I believe the burdens of this proposal would cause hardships for many small and medium-sized farms just like ours. Most farms in America are family owned and operated and simply do not have the staff, budget, or logistics in place to comply with the additional reporting requirements of this proposal. Many of these farmers are concerned that large farms and multinational corporations will benefit from the extra burdens placed on the small and medium sized growers.

For example, public companies that buy food will likely favor larger farms that have the resources to compile and provide information. Small and medium-sized farms like ours cannot easily absorb those added costs and most cannot pass the costs on. My team is certainly not equipped to handle this type of reporting, and hiring additional staff for this purpose would be very expensive. Put simply, we do not have the resources to hire someone to focus on the greenhouse gas emissions reporting that would be required under this rule, and I know others share my concern.

Between managing the farm, U-Pick, and restaurant, we already struggle to fill our necessary positions to the operation, let alone a highly specialized one focused on data collection. A position that would not provide value to our operation or the products we grow. Furthermore, setting aside that this reporting does not result in any environmental gains, the enormous data collection efforts are unlikely to yield reliable information.

While large multinational companies have people who specialize in regulations and would represent a much smaller proportionate cost for them, the Schultz family doesn't have a team of compliance officers or attorneys dedicated to handling SEC compliance issues. Family farms are not meant to be under the purview of the SEC. We have a hard enough time as a family farm competing against multinational companies and foreign imports. This proposed rule just gives our competitors one more advantage over my family farm.

Compromised Environmental Gains

Our family farm places a strong emphasis on environmental stewardship. Investing in environmental stewardship is important to us because we want to take care of the land we live on and pass on our family farm to the next generation. We have adopted conservation practices that include planting cover crops to build fertility, installing trickle irrigation systems to minimize water use, and planting living row middles in our orchards to reduce the need to mow. I am passionate about planting and have personally set thousands of bushes, trees and vines with my own hands. We plan and plant for the future.

Our family farm has a limited amount of management resources that can do either implementation of improved environmental activities or reporting on an inordinate amount of data. Like most farmers, I already work long hours. Every hour I spend doing reporting paperwork is one less hour I can spend on implementing environmentally beneficial practices and monitoring those we have in place. I believe there's an opportunity through voluntary conservation programs for farmers to do the right thing for the environment at their own pace and for those programs to be structured for the resource needs of individual farms and watersheds.

We need economic sustainability to ensure environmental sustainability. The SEC's proposal is a stark contrast to voluntary conservation, leading to an investment in paperwork and data collection at the expense of investing dollars on the ground capturing carbon, reducing soil erosion, enhancing pollinator habitat, or making one less pass down the row.

Farmers have done an outstanding job over the past several decades decreasing our carbon footprints, gaining efficiencies and continuing to supply American and global consumers with wholesome and affordable food. Likewise, farmers have done amazing work conserving our land. According to the American Farm Bureau Federation, more than 140 million acres of U.S. farmland are used for conservation efforts and wildlife habitats—that land area is equal to the states of California and New York combined.¹ Also, over the last 70 years, U.S. farms have nearly tripled production while the amount of resources used (including land, energy, and fertilizer) has remained stable.² Environmental gains like these make me proud as a farmer.

Higher Costs for Consumers

Consumers are already facing higher food prices at the grocery store and this proposed rule would only exacerbate price increases. Furthermore, this data does not provide or inform environmental gains, but seems likely to increase already high food prices through the significant financial burden of data collection. The result would be reams of paperwork, instead of finding new ways to improve our core work of farming and providing food for America's dinner tables at fair prices.

¹ Farmers for a Sustainable Future; <https://www.fb.org/land/fsf>

² 2020 EPA Emissions Inventory Demonstrates Agriculture's Advancements in Sustainability, AFBF Market Intel; <https://www.fb.org/market-intel/2020-epa-emissions-inventory-demonstrates-agricultures-advancements-in-sustainability>

The SEC estimates the costs to publicly-traded companies but does not consider the complex supply chain farms are part of. The burdens and costs of this rule will not only be felt by the companies under the SEC jurisdiction, they will also be felt by the family farms, like mine, that provide food that eventually end up on their shelves or in their products. This cost is not accounted for by the SEC in their impact analysis.

If the goal of this proposal is to give wealthy shareholders information about the carbon footprint of their investment, why can't we allow the free market to address that demand? Let's not force it on the backs of the most vulnerable in our society that need access to affordable food and the family farm struggling to compete against a foreign competitor or multinational farming corporation.

Data Collection and Privacy

For over 70 years, my family has persevered through all types of adversity. From weather extremes to challenging markets, labor struggles to maintaining profitability, a life in agriculture is not for the faint of heart. Unfortunately, we now face a new and crushing regulation to this list of our challenges.

The proposed rule has the potential to require very detailed information from each farm, down to how many gallons of fuel are put into each piece of machinery and each machine's emissions. This isn't a practical use of time when we're trying to produce a safe and affordable food supply. It will also disadvantage small and medium size farms and create a higher barrier to entry for new and beginning farmers who can't always afford the newest, most fuel-efficient equipment or facilities.

On top of the resources needed to collect this information, growing an apple is not like making a widget: farming presents variables that are rarely present in other businesses. An apple tree takes many years to start producing fruit that can be consumed. Weather events or plant pests and diseases create hurdles year-to-year that would deeply complicate the reporting process. It is clear that the SEC did not account for the complexities and nuances of farms when writing this proposed rule.

One year to the next could have significantly varied costs per bushel or acre on the use of fuel and fertilizer. Each year I spray and fertilize my fruit trees to ensure the survival and production of my trees after a bad year, anticipating a full crop. When mother nature delivers a bad weather year, I may only harvest half a crop. In addition to not covering my costs, this doubles my inputs and therefore carbon footprint per bushel output for that year. Would a scenario like this entice a buyer of my product to instead choose a farm that didn't have weather anomaly and as a result had a lower carbon footprint per bushel of apples?

Data privacy is also a major concern for our family. Unlike corporations, farmers work and raise families on their place of business. I work alongside my three siblings, and they have young families. While we invite thousands of members of our community out on our farm every

season, we also need to protect family farms and treat them differently than we would a Fortune 500 company. We must ensure that our farming families are protected.

Conclusion

The growing season of 2012 was the worst in our farm's history. Michigan suffered a devastating spring frost that killed off much of the state's fruit crop. It was heartbreaking. Through this struggle though, we started to think outside the box. Considering a different approach, we convinced ourselves to pursue a new business - one that involved our apples and turning them into hard cider. In 2015, we opened our own farm-to-table restaurant where we serve local flavor with our own craft beer and hard cider. Through adversity comes new ideas. Rather than spending precious farm profit on burdensome regulatory compliance, we'd like to continue reinvesting in our new ideas, in our community and in our family.

Schultz Fruitridge Farms has been in the family for 70 years and we hope to be sustainable for many generations. We care deeply for our land and value the trust earned from our customers. It is my hope today, that this committee takes into consideration the far-reaching implications that this proposal would place on American agriculture and small and medium-sized farms that are the lifeblood of our industry and pillars of our rural communities.

Thank you for the opportunity to share my perspective. I would be happy to answer any questions.

Respectfully,

William V. Schultz

Vice President, Schultz Fruitridge Farm Inc.