POLICY TIP SHEET

Farmer Protection Act Would Protect States' Agriculture Sectors from ESG

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THE PROBLEM

- ESG operates by punishing poorly scored companies with reduced or altogether eliminated access to capital and credit.
- Under the guise of ESG scoring systems, investment firms and financial institutions have agreed to set emissions targets for their agricultural customers by 2024.
- Farmers will soon be under enormous pressure to reduce their emissions or risk being frozen out of bank financing.
- Consumers will likely face even higher food prices if farmers are forced to lower food production and/or are forced out of business altogether.

THE SOLUTION

- The Farmer Protection Act would prohibit investment firms and financial institutions from using ESG scoring as a way prohibit banks from restricting services to farmers.
- FPA would empower state agriculture commissioners and attorneys general to investigate and penalize violations and set penalties for those violations.
- FPA requires there shall be a rebuttable presumption that the institution's denial or restriction of a financial service to a farmer violates its terms.

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ESG Basics

Environmental, social, and governance (ESG) scores are the chief mechanism by which ideologically aligned influential interests and powerful institutions working through unelected supranational organizations are attempting to "reset" the global financial system to their advantage. At its core, this emerging design circumvents national sovereignty, free markets, and individual rights by altering traditional financial methods of assessing risk and allocating capital and credit.[1] This attempted shift from "shareholder capitalism" to a "stakeholder collectivism" model hinges upon assigning entities—such as sovereign countries, states, entire industries, large corporations, small- and medium-sized businesses, and even individuals—arbitrarily determined ESG social credit scores. These scores mandate subjective and politically motivated commitments to "climate change mitigation" and "social justice" causes, which draw heavily from the United Nations-sponsored Sustainable Development Goals.[2]

Essentially, ESG operates by punishing poorly scored companies with reduced or altogether eliminated access to capital and credit, while highly scored companies receive substantial capital in-flows, in addition to tax breaks, grants, access to "special financial vehicles," preferential contracting, and potentially other yet-to-be-defined advantages.[3] Ultimately, these measures are designed to centralize power and wealth in the hands of unelected technocrats, central bankers, regulators, and globalist institutions. The full institutionalization of ESG—internationally and domestically—would represent a major step towards consolidating a unitary global governance model, ultimately causing the dissolution of free markets, national sovereignty, due process under the law, and individual liberty.[4]

ESG and Agriculture

Many of ESG's metrics, primarily those related to imposing environmental controls, are directly linked to the agricultural industry and food production. Examples of some of these metrics include: "Paris-aligned GHG emissions targets," "Impact of GHG [greenhouse gas] emissions," "Land use and ecological sensitivity," "Impact of air pollution," "Impact of freshwater consumption and withdrawal," "Impact of solid waste disposal," and "Nutrients"—which, despite its innocuous-sounding name, is a metric that forces companies to estimate the "metric tonnes of nitrogen, phosphorous, and potassium in fertilizer consumed."[5] Farmers and food producers use chemical fertilizers and pesticides for crop growth, in addition to producing waste biproducts, consuming substantial quantities of water, using vast swathes of land, and releasing what climate alarmists claim to be planet-ending carbon dioxide emissions.

The world has already experienced adverse food supply shocks caused directly and/or indirectly by ESG mandates, with the most prevalent occurring in Sri Lanka, where a regulatory ban on chemical fertilizers cut crop production nearly in half and resulted in societal upheaval that toppled the Sri Lankan government. Other disruptions in food supply related to ESG have occurred throughout Europe—especially in the Netherlands—as well as in Canada and the United States.[6]

In the United States in particular, investment giants and banking behemoths have signed on to international agreements such as the United Nations-led Glasgow Financial Alliance for Net-Zero (GFANZ), a global coalition dedicated to climate change mitigation efforts organized under the auspices of the United Nations. GFANZ consists of approximately 450 banks, investors, and insurance companies, whose members control $130 trillion in assets.[7] Through GFANZ and its industry subgroups, such as the Net-Zero Asset Managers Initiative and the Net-Zero Banking alliance—which controls 41 percent of global banking assets[8]—the world's biggest investors and banks have agreed to set United Nations-approved emissions targets for their agricultural customers by 2024.

Similar to the disastrous policies in Sri Lanka and elsewhere, nitrogen-based fertilizer use is being heavily targeted in the United States, and farmers are being urged to electrify their equipment as well as curtail meat and dairy production in order to create products that have "lower carbon-dioxide footprints," to name only a few examples.[9] Farmers will soon be under enormous pressure to undertake these "voluntary" changes and reduce their emissions or risk being frozen out of bank financing.[10]

Policy Recommendations

Agriculture commissioners and attorneys general should be empowered to investigate this conduct and act to protect farmers and consumers, who will suffer from even higher food prices if more farmers are forced out of business.

The Farmer Protection Act (FPA) would prohibit banks from restricting services to farmers based on environmental policies, as well as empower state agriculture commissioners and attorneys general to investigate and penalize violations and set penalties for those violations.

FPA declares a financial institution shall not discriminate in the provision of financial services to a farmer based, in whole or in part, upon the farmer's greenhouse gas emissions, use of fossil-fuel derived fertilizer, or use of fossil-fuel powered machinery. Further, if a financial institution has made any ESG commitment related to agriculture, there shall be a rebuttable presumption that the institution's denial or restriction of a financial service to a farmer violates the terms of the FPA. A bank may overcome the rebuttable presumption only by demonstrating that its denial or restriction of a financial service was based solely on documented financial considerations, and not on any ESG commitment.

Endnotes

1 For a comprehensive review of ESG and the problems it poses, see: Jack McPherrin, "Environmental, Social, and Governance (ESG) Scores: A Threat to Individual Liberty, Free Markets, and the U.S. Economy," The Heartland Institute, April 2023, https://heartland.org/wp-content/uploads/2023/04/2023-ESG-ReportvWeb-1-4.27.23.pdf

2 United Nations, "Sustainable Development," Department of Economic and Social Affairs, accessed July 12, 2022, https://sdgs.un.org/goals

3 Mark Bergman *et al*., "Introduction to ESG," Harvard Law School Forum on Corporate Governance, August 1, 2020, https://corpgov.law.harvard.edu/2020/08/01/introduction-to-esg

4 Jack McPherrin, "Environmental, Social, and Governance (ESG) Scores: A Threat to Individual Liberty, Free Markets, and the U.S. Economy."

5 Jonathan Walter *et al*., "Toward Common Metrics and Consistent Reporting of Sustainable Value Creation," World Economic Forum, September, 2020, http://www3.weforum.org/docs/WEF_IBC_Measuring_Stakeholder_Capitalism_Report_2020.pdf

6 For more information, see: Jack McPherrin, "ESG: Negative Effects on Food Supply and Agriculture," The Heartland Institute, October 2022, https://heartland.org/wp-content/uploads/2022/12/PolicyTipSheetESG5.pdf; and Jack McPherrin, "Environmental, Social, and Governance (ESG) Scores: A Threat to Individual Liberty, Free Markets, and the U.S. Economy."

7 Glasgow Financial Alliance for Net-Zero (GFANZ), "Amount of finance committed to achieving 1.5°C now at scale needed to deliver the transition," November 3, 2021, https://www.gfanzero.com/press/amount-of-finance-committed-to-achieving-1-5c-now-atscaleneeded-to-deliver-the-transition/

8 United Nations Environment Programme, "Our Members: Net-Zero Banking Alliance," last accessed February 6, 2024, https://www.unepfi.org/net-zero-banking/members/

9 Nako Kobayashi and Meryl Richards, "Global Sector Strategies: Recommended Investor Expectations for Food and Beverage," Climate Action 100+, Ceres, and Principles for Responsible Investment, August 2021, https://www.climateaction100.org/wp-content/uploads/2021/08/Global-Sector-Strategies-Food-and-Beverage-Ceres-PRI-August-2021.pdf

10 For more information about financial institutions discriminating against customers based upon ESG metrics, see: Jack McPherrin, "ESG: Financial Discrimination," The Heartland Institute, November 2022, https://heartland.org/wp-content/uploads/2022/12/PolicyTipSheetESG8src.pdf

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