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**NORTH DAKOTA
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January 24, 2022

To: National Credit Union Administration
From: North Dakota Department of Agriculture
Re: Proposed Draft Strategic Plan 2022-2026
Docket ID NCUA-2021-0100

Below are the North Dakota Department of Agriculture (NDDA) comments in relation to the Request for Comments: Draft Strategic Plan 2022-2026, posted by the National Credit Union Administration on November 23, 2021 (Document ID: NCUA-2021-0100-0001).

NDDA recognizes and duly appreciates how local credit unions and other financial entities regularly and effectively partner with North Dakota farmers and ranchers. North Dakota finance agencies, especially ones in rural areas, well understand the state's farming and ranching cycles and the accompanying financing requirements of the state's agriculture producers.

These financing agencies work alongside farmers and ranchers to assist them with crop production, livestock care, and farm machinery purchases. They loan to individual producers to make improvements as well as to support and sustain current farming and ranching operations. To many rural North Dakota credit unions – farmers, ranchers, and associated agri-businesses make up the largest share of their existing customer base.

Notwithstanding, page 12 of the Draft Strategic Plan 2022-2026, Docket ID NCUA-2021-0100, contains the following proposed draft language:

Climate-Related Financial Risks

Climate change is accelerating and the number – and cost – of climate-related natural disasters is rising. The economic effects of these events are clear. Each year, natural disasters like hurricanes, wildfires, droughts, and floods impose a substantial financial toll on households and businesses alike. The physical effects of climate change along with efforts to address climate change and transition to a low-carbon

economy pose significant risks to the U.S. economy and the U.S. financial system.

Credit unions need to consider climate-related financial risks and how they could affect their membership and institutional performance. For instance, a credit union's field of membership is often tied to a particular industry or community. Some industries, like the energy and auto industries, may be disproportionately affected by climate change and the transition away from fossil fuels towards renewable forms of energy. Changing weather patterns will disproportionately affect farming communities. Over time, climate change will likely affect the value of collateral, including homes and vehicles. To remain resilient credit unions may need to consider adjustments to their fields of membership as well as the types of loan products they offer. Efforts to combat climate change will likely give rise to new regulations, potentially increasing costs for credit unions as they adapt and respond.

Climate change presents several complex conceptual and practical challenges not only for credit unions but also for the NCUA. The agency will need to adapt its risk monitoring framework to account for climate-related threats to financial stability, the credit union system, and the Share Insurance Fund.

NDDA objects to and opposes this above proposed conjectural, conclusory, and overbroad language and recommends it be deleted in its entirety from the proposed draft. Such notional and possibly partisan, politically agenda-driven language might be reasonably construed by some to mean that credit unions should irresponsibly limit or even stop lending to farms, ranches, and other agriculture-related stakeholder businesses – or that credit unions should consider improperly imposing higher financing rates or fees to customers involved directly in agriculture-related commerce.

If the above language is not deleted, NDDA recommends the language be substantially revised to readily clarify that credit unions should continue to strongly support their many millions of clients within the agriculture industry. This revision should also properly recognize current contributions that modern climate-smart agriculture makes daily in combating climate change and that credit unions should consequently formally applaud and bolster such sustainable, regenerative, climate-smart agriculture. Put simply, the Strategic Plan should include clear language that strongly encourages credit unions to continue to strongly support and incentivize agriculture.

All farm fields retain enormous carbon storage potential. Maximizing this potential for carbon sequestration on the nation's croplands is an imperative.

Plants universally use carbon dioxide through a naturally occurring process that continually draws carbon out of the atmosphere. As plants grow, they pull carbon from the atmosphere. The vegetation, roots and soil store carbon, creating more organic matter. This leads to more stored nutrients, more stored water, as well as richer, softer, and less compacted soil. Through this billions-of-years old plant photosynthesis process, plants likewise capture and absorb sunlight energy, at the very end producing life-sustaining oxygen.

Carbon is and always has been essential for plant photosynthesis. More plants mean less carbon. This is a truism. This natural process pulling carbon from the atmosphere is *used by every plant on earth*, including those very crops that our nation's farmers plant, cultivate, and harvest. In short, more carbon-hungry crops on the ground mean much less carbon in the atmosphere.

Healthier and more productive crops mean these plant crops will utilize even more carbon dioxide. The longer the growing season the more carbon these plants can absorb. Further, longer growing seasons allow for more varieties of cover crops which, in turn, also trap more carbon, resulting in even better restoration and improvement of the health of the soils underneath. All of this contributes to greatly enhancing climate resiliency.

It follows that farmers remain the answer to climate change. Moreover, low or no-till farming, protecting farmland and pastureland, effective irrigation management, regular planting of cover crops, organic farming practices, improved pasture management through rotational grazing, the integration of livestock and crops, and the effective rotating of diverse crops all greatly further reduce the country's carbon footprint.

These highly productive, sustainable, and regenerative agricultural practices naturally reverse the flow of carbon from the sky back into the land. These many practices, which are currently implemented throughout North Dakota and the rest of the country, are making agriculture carbon neutral or even carbon negative.

For example, minimizing soil disturbance through no-till farming reduces carbon loss. Increasing soil carbon through techniques like no-till farming is relatively inexpensive. More importantly though, reducing tilling builds healthier and more robust soil. Rebuilding carbon-rich soil supports farmers' bottom lines by revitalizing soil health and consequently increasing crop yields. Increasing soil carbon is the same as increasing organic matter content, which is the key to any healthy and productive agricultural landscape. As an end-result, our country's farms become net carbon sinks.

Diversifying crops and planting legumes, perennials and cover crops also returns more carbon to the soil, and sustains vital soil microbes that also play key roles in carbon storage. Soil organic matter makes soils more fertile. Additionally, these

same practices are necessary for adaptation to potential climate disasters. This is because these agricultural practices make soils better at retaining water. Increased water holding capacity reduces erosion, which consequently protects land and permits it to better withstand weather extremes.

In short, improving soil health and increasing soil organic matter on farms and ranches draw down atmospheric carbon levels. All plants absorb carbon as they photosynthesize, including corn, soybeans, wheat and the other commodity crops that now blanket huge swaths of the nation. These and other crops interact with microbes in the soil to produce rich organic matter, a stable form of underground carbon storage that outlasts the growth and decay of reoccurring but transitory above-ground vegetation.

Consequently, farmland remains a vast, inexpensive way to sequester carbon, store it, and productively utilize it long-term. Such storage in the soil leads to more nutritious and abundant food, and much more resilient ecosystems, turning many of the nation's farmland into heavily desirable carbon caches.

Many of these actions implemented by responsible agriculture producers provide multiple benefits not only to farms, but also to surrounding communities and the environment. These present-day commonplace agricultural practices capture carbon generated by other industries. As stated earlier, this captured carbon is then converted into plant material and/or soil organic matter, improving soil health and subsequently increasing the ability to produce food on the land in the future.

Another climate-friendly strategy implemented in North Dakota and across the country is the raising of livestock and crops together. Symbiotically rotating cows among pastures allows grasses to more quickly recover from grazing, and the animals' manure and the impacts of their grazing further regenerate carbon in soils.

Pragmatically protecting farms and ranches now will ensure this vast and important land resource remains available for both food production and carbon storage for generations to come.

The high value of sustainable agriculture to the climate should be duly recognized within the National Credit Union Administration's Strategic Plan. The agriculture industry continues to make great strides in producing more food, fiber, feed, and fuel with fewer inputs. These and many other implemented climate-smart practices should be respected and continue to be incentivized.

The very soil under our feet is our nation's greatest asset if financing agencies like credit unions continue their cooperative efforts in responsibly partnering with agriculture and doing their part to finance and mobilize action on farms and ranches permitting them to engage in sustainable and regenerative practices.

Once again, the National Credit Union Administration should remove the above quoted three paragraphs in page 12 of the proposed draft Strategic Plan containing overbroad, ill-supported, and conclusory language that relates to highly conjectural climate-related potential financial risks.

However, if that or similar language remains, the language should be substantially revised to appropriately reflect and detail what agriculture, comprising most credit unions' primary and best clients, does to significantly mitigate climate change. Most importantly, the Strategic Plan 2022-2026 should, as a matter of sound financial lending policy, continue to strongly encourage credit unions to continue to stalwartly support and incentivize our nation's highly productive farmers, ranchers, and agri-businesses.

Please let me know if I may provide you any additional information or provide you any further assistance.

Sincerely,

A handwritten signature in blue ink, appearing to read "Doug Goehring". The signature is fluid and cursive, with a large initial "D" and "G".

Doug Goehring
Agriculture Commissioner