




NSW Farmers' submission to the Agriculture and Land Sectoral Net Zero Plan

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About NSW Farmers

NSW Farmers is Australia's largest state farming organisation, representing the interests of its farmer members in the state. We are Australia's only state-based farming organisation that represents farmers across all agricultural commodities. We also speak up on issues that matter to farmers, whether it's the environment, biosecurity, water, animal welfare, economics, trade, workforce or rural and regional affairs.

Agriculture is an economic 'engine' industry in New South Wales. Despite having faced extreme weather conditions, pandemic and natural disasters in the past three years, farmers across the state produced more than \$23 billion in 2021-22, or around 25 per cent of total national production, and contribute significantly to the state's total exports. Agriculture is the heartbeat of regional communities, directly employing almost two per cent of the state's workers and supporting roles in processing, manufacturing, retail, and hospitality across regional and metropolitan areas. The sector hopes to grow this contribution even further by working toward the target of \$30 billion in economic output by 2030.

Our state's diverse geography and climatic conditions mean a wide variety of crops and livestock can be cultivated here. We represent the interests of farmers from a broad range of commodities – from avocados and tomatoes, apples, bananas and berries, through grains, pulses and lentils to oysters, cattle, dairy, goats, sheep, pigs and chickens.

We have teams working across regional New South Wales and in Sydney to ensure key policies and messages travel from paddock to Parliament. Our regional branch network ensures local voices guide and shape our positions on issues affecting real people in real communities. Our Branch members bring policy ideas to Annual Conference, our Advisory Committees provide specialist, practical advice to decision makers on issues affecting the sector, and our 60-member Executive Council makes the final decision on the policies we advocate on.

As well as advocating for farmers on issues that shape agriculture and regional areas, we provide direct business support and advice to our members. Our workplace relations team has a history of providing tailored, affordable business advice that can save our members thousands of dollars. Meanwhile, we maintain partnerships and alliances with like-minded organisations, universities, government agencies and commercial businesses across Australia. We are also a proud founding member of the National Farmers' Federation.

Executive summary

In response to the discussion paper on the approach that the Australian Government may take into addressing the contribution of emissions that are the outcome of agricultural production, the NSW Farmers' Association would like to contribute the comments below.

The nature and importance of agricultural production differentiates it from other emission profiles, like industry and everyday human impacts, and should be considered in this light. Our recommendations centre around the need to first understand the emission profiles of the various production modes within agriculture (for example, broadacre farming, horticulture, and intensive production methods) and the sensitivity to emission reductions and alternatives and mitigation abilities of reduction, and ensure that Government commitments to goals and targets do not compromise food security. The solutions sought and methods applied to mitigate emissions in Australia need to be pursued in the context of Australian state and federal laws, land and production capabilities, and food security, and not imported from international settings or permitting restrictive practices to be adopted that will compromise this security.

NSW Farmers would like to reinforce that technology has not progressed nor is available for agriculture to meet emissions reduction on farm; it is still evolving so therefore the concept of farm reporting or industry reporting at farm level is still not technically, economically or scientifically valid enough if Governments insist on this industry moving to reporting standards. This will also affect supply chain reporting and many of the larger bodies such as banking or external associated industry may or may not be across the scientific and practical challenges farmers would face in any reporting system. Mandatory targets and reporting in agriculture should not be applied where science and emerging technologies are not yet available or commercially applicable.

Additionally, we highlight the imperatives (globally) of multiple international agencies (including the IPCC, FAO and WHO) that agricultural productivity should be a higher priority for governments than other sectors, when considering land use and offsetting policies. These agencies have highlighted that food security is both a national and global issue of priority and that that domestic policies which fail to minimise reduction in food security will exacerbate the worst geopolitical impacts of climate change. As a food exporting nation Australian Governments have a duty to ensure policies and funding adheres to these priorities.

Finally, we reinforce that applying mandatory targets and reporting is not appropriate for agriculture. While science and emerging technology would be adopted by farmers as it becomes available and cost effective over time, these tools are not yet available. The agriculture sector should not be pushed into reporting nor used as a major offset for Australian emission reduction targets.

1. Where and when should government drive emissions response in agriculture

Emissions volumes are directly tied to the type of agricultural production being undertaken; it is important to understand this as a first step, as driving overall emissions without understanding this in detail will lead to choices of land use that impact certain crop production or production intensity. While markets play a role in this, a key driver is soil capability, climate and land size, and forcing a reconciliation of emissions per unit of product can sway food and fibre supply. In the alternative a nuanced approach to how emissions are considered for specific produce can be used a driver of production share in the world market when properly contemplated in relation to the strengths of Australian agriculture. The approach of requiring the measurement of scope one and two emissions at a farm gate, that is a trend being driven by ESG deliverables, will have the potential to have this impact, and there is more utility in agriculture in looking at the overall emissions in balance with production (impacts and risks) and recognise the production output as the primary goal to be achieved. Once that is quantified and understood, decisions around reduction in emissions can be made in reference to production targets, not emissions targets pursued without a knowledge of the possible impacts.

The approach of how to build carbon stores in agriculture is misplaced in the same question as emission reduction and demonstrates a lack of understanding of the drivers and impacts of the two areas of land use. It would be different if the question is based around 'net emissions of a property (or region)', as in that case the emissions profile of what is a 'reduction' can be calculated by measuring the overall sequestration of carbon of the land area in question with the measuring of the emissions used in production on that land area. Building and maintaining soil carbon is normal business in agriculture, however this is not accepted in the current incentive and regulatory directions, as only additional carbon achieved in ground from an artificial baseline is recognised. Where a financial incentive is made for a quantified improvement that is understandable, however where the carbon is measured, or not, in the global climate mitigation equation, the physical actual activity of carbon sequestration in the ordinary course of business should be recognised in the measurement of national outcomes.

It is widely accepted that there are, and will remain, barriers to emission reduction where current operations rely on production modes that are not able to be easily substituted. A reliance on technological advancements in machinery and food supplements are well explored, and while in development are not a pathway to emissions reductions that be quantified. While these must be progressed as significant contributors to potential reductions, the barriers to incentivised participation should be identified and addressed. There is grassroots confusion and misunderstanding of the significance and importance of contribution and obligations to a global goal, where the only impacts that can be measured of significance are on the producer. At a farm gate, and in fact at a national level, the impacts of changes made on the ground in Australian agriculture on the global emissions and temperature states are insubstantial, and the actual and perceived inequity in this is a barrier to incentives at least on an ethical platform, and also in the decision making on financial impacts of investment and balancing production and climate mitigation. The continued governmental attitudes of setting the aspirations without the explanations, and in backing the aspirations with legislation will remain an ongoing barrier to the necessary critical mass of participation.

Another significant barrier to pathways to emissions reduction is the sheer number of areas from which influence is being exerted onto how operations should be conducted on a farm. In what is effectively 'legislation by stealth' a producer is being asked to consider how they should or must interact or respond to

industry sustainability frameworks, ESG settings from financial institutions and markets, international market requirements such as the EU green deal, and to state and commonwealth legislation. Indeed, responding or complying to one requirement, could perversely impact negatively on an opportunity or necessity to comply with a separate standard. There is a lack of Government leadership in contextualizing the requirements placed on Australian farmers from international standard, and a lack of state leadership on how definitions (such as deforestation or biodiversity values) and sustainability frameworks should have standardised principles based values that can allow the feasibility of meeting these many new expectations.

2. How to approach emissions reduction in agriculture

As discussed above, it is not possible to plan to build resilience until there is an improved understanding of the supply chain of agricultural production, and the sensitivity of what could be planned as changes to the emissions produced from normal operations. NSW Farmers would strongly encourage a change in direction from goal and targets setting as the guidance to meeting emission reduction, to one where there is a holistic approach to measurement of land and agriculture benefits (such as sequestration) and detriments to climate impacts. This would involve the increase in interest in data collection to include the carbon sequestration contributions of all land mass, not restricted to additionality on private land, and measuring the then net outcome of agricultural production to land mass contribution. Only measuring the emissions and seeking to meet pre-set goals and targets simply ignores the reality of the overall climate impacts of all land and production. Presenting the impacts of emissions after this approach would build confidence and involvement in actual not theoretical or partial modelling.

3. What approach should government take in interacting with the agriculture sector

The Australian Government could cease setting goals and participating in agreements without first developing with the agriculture industry the necessary knowledge to guide how and to what agreements, the Government should participate in. It is illogical to set targets, or agree with targets set by others, under the belief or pretence that there is no other option to be a good world citizen. The role of food production is a vital one as is universally recognised, and following a theoretical pathway to a global goal, without quantifying the impact of Australian measures, and without existing pathways to meet those goals, impacts all following efforts and initiatives. This approach is also allowing other stakeholders in the supply chain to either adopt or set requirements of agricultural production that flow from Government initiatives, but without consultation or endorsement from the very industry they impact. To regain the ability to create a coordinated plan and involve all stakeholders of influence the strengths of Government are the ability to set standards and encourage and enforce adherence to those through compliance and penalties. A significant current weakness in coordination of the agricultural place in climate change mitigation is the myriad of standards, definitions and terms that various stakeholders, both outside and within Australia, are creating. A deforestation definition from an Australian bank will most likely have no meaning to either another bank, or industry group, or international setting, unless it is made by reference to one of those. If critical definitions for land management are made by an Australian Government, with reference to an Australian and State context, these definitions have force. They can guide how Australian stakeholders can socialise and defend their position as having a proportional impact on climate issues and set certainly for industry and industry

reliant stakeholders that agricultural markets will not impose unrealistic and irrelevant settings on production methods.

4. Practical steps to increase involvement of the agriculture sector

It is important at a farmgate level that data recording is achievable and meaningful in a context of agriculture as a whole. To achieve this, a standard of emissions and other useful data recording must be set to avoid duplication of reporting and a consequential lack of uptake. A critical mass of participants is essential to give credibility to the baseline and actual impacts of climate impact at the farmgate, and there are at present financial and practical barriers to this from farmers, and from the directions of the various ESG and sustainability and market stakeholders. Government support in achieving this would be a significant first step in involving farmers. There is also a fixation on conservation of environmental assets being secured in perpetuity and being monetised, and all of this in isolation to the contribution of land sectors to climate mitigation. The aversion to 'double dipping' of gains for landholders is not logical if there are benefits for environmental conservation and for climate mitigation, where participation should be encouraged, not rule bound and excluding agreements that could benefit both. The compartmentalisation of rewards for certain behaviours that are deemed beneficial, such as 'regenerative farming practices' can be harmful as the flow of benefits goes to 'accredited' rather than normal beneficial operational practice. Land management does not need to be an in-perpetuity exercise if it delivers an immediate benefit, and encouraging, not subsidising, land management practice that creates healthy soil and groundcover can be achieved by recognition of immediate benefit to a property scale climate contribution, rather than needing a labelled and documented and approved method. There is a role for Government at a state or local level in this to ensure that incentives flow to land management that improves climate outcomes, not simply ones that meet red tape parameters.

5. How government can better support and enable change

In NSW the state programs to date (PIPAP notably) targeted incentive to large landholders to take up opportunities with (say) alternative fuels, however there is no drivers for the vast majority of farmers. Similarly, the supply chain has a limited market incentive as support only goes to the larger industry businesses, limiting volume and market opportunities. Innovation should be directed at the area of largest gain, and that defined by the agricultural industry sector that can most benefit and the greatest number of potential participants. A program that is multifaceted, where there are opportunities for emission reduction through practice rather than investment, augmented by support for capital investment when required will have increased market penetration.

The agriculture sector is already facing pressure to attract and maintain skilled workers, with a nationwide survey¹ conducted by NFF earlier this year showing that numerous factors are impacting access to workers, including community perceptions of agriculture and access to accommodation. Our own survey of NSW Farmers members from June this year showed that 40% of respondents flagged sourcing of labour a concern, ranking this as their second major concern behind seasonal conditions. Alongside this, there will be increased pressure on rural workforces in the coming decade as numerous large-scale generation and transmission

¹ https://nff.org.au/wp-content/uploads/2023/10/National_Farmer_Priorities_Survey_Report_FINAL_Oct23.pdf accessed 06/12/23

projects are rolled out to support the energy transition of the state. There needs to be a concerted effort to seek out and support programs that have been successful in channelling both new and skilled workers to the industry and maintaining support of tertiary education outside of the traditional agricultural-based courses. Integral to not only building capacity, but also establishing trust, is supporting community-based structures that have been proven to effectively provide extensions services. As detailed in the discussion paper, farmers can be motivated by peer-to-peer learning and value is put on systems and styles of extension that clearly state the practicalities of the new technologies. Member-based associations like NSW Farmers are seen as trustworthy and independent and can therefore provide an avenue for extension that complements established services like NRM or industry-specific organisations.

It is essential that there is a focus on establishing a comprehensive and clear standard for understanding on-farm emissions. The current landscape for emissions calculators is busy and overlapping, which creates a barrier for participation from small-to-medium sized businesses. Similar to other metrics that are measured within farm businesses, like crop water use efficiency or livestock breeding values, there is a desire from some to get a better understanding of on-farm emissions and how they impact on productivity and profitability. While currently there is little incentive for producers to track emissions, it will be imperative to establish a system for calculation that is standardised and supported by farm industries, rather than a system that is imposed on the industry from further up the supply chain. Those that work within the sector are best placed to assure the performance and veracity of a system and this would lead to better buy-in from those on the ground.

As noted previously in our response, the primary focus for the agricultural industry should remain on sustainable and profitable food and fibre production. There is limited capacity for significant, ongoing reduction in emissions from the agriculture and land sector, and there has been substantial progress made within the industry as referenced in the discussion paper. Agriculture also relies on new technologies that are the primary focus of other industries, such as fuel and transport, and therefore will rely on progress in these areas to achieve additional emissions reduction opportunities. NSW will continue to experience significant land use changes through the energy transition and concentrated development of projects in Renewable Energy Zones. In isolation, individual projects are forecasted to have limited impact on agricultural production; it is not until the total breadth of infrastructure is considered in its entirety can the actual or perceived impact on production be appreciated. To then lay over other land use changes, be it from carbon or biodiversity projects, just furthers impacts on productivity on both a farm and landscape level.

The investment level is extremely low in comparison to other climate investment strategies, in investigating the sensitivity of agricultural businesses and the remedies or mitigation solutions to emissions.

- Recent budgets have seen an unprecedented amount of investment into decarbonising the economy, including:
 - \$10 billion through the Capacity Investment Scheme into the electricity grid.
 - \$12 billion (of a total of \$20 billion) in Rewiring the Nation to transformational transmission projects.
 - \$1.3 billion investment into the Household Energy Upgrades Fund.
 - \$2 billion into a Critical minerals Facility and \$1 billion to value-adding in resources under the National Reconstruction Fund.
 - \$2 billion into Hydrogen Headstart which will accelerate large-scale hydrogen projects.
 - \$3 billion allocated to investment in low emissions technologies including green metals under the National Reconstruction Fund.
 - \$400 million Industrial Transformation Stream as part of the Powering the Regions Fund to grow new clean energy industries in regional areas.

- \$600 million Safeguard Transformation Stream of the Powering the Regions Fund to support trade-exposed facilities reduce their on-site emissions.
- \$310 million Small Business Energy Incentive to support businesses make investment in electrifying.
- \$500 million Driving the Nation Fund to help reduce transport emissions.
- \$300 million for community batteries and solar banks.
- This public sector commitment and policy certainty has created an environment which has attracted billions in private investment as well:
 - Since the release of Australia's National Hydrogen Strategy in 2019 there is now a \$127 billion pipeline of announced hydrogen investment in Australia.
 - The Electricity Infrastructure Roadmap is expected to attract \$32 billion in private investment for regional energy infrastructure by 2030.
- Now let's compare the investment in decarbonising agriculture:
 - \$302 million over five years for climate-smart, sustainable agriculture investments under the Natural Heritage Trust
 - \$9.4 million to collection information on the adoption of low emissions technologies.
 - \$12.8 million to examine the effect of domestic and international emissions policies on Australian agriculture.
- Agriculture is a very difficult to abate industry, with technology not currently commercially available to reduce emissions on a large scale, unlike renewables which now produce energy more cheaply than through fossil fuel sources. This is because agriculture is a decentralised, geographically spread-out industry which does not lend itself to the use of large-scale energy production unlike cities, and also has a significant amount of emissions from enteric fermentation. Public investment will therefore be required to fill this gap in viability and to reduce the costs through encouraging R&D, which would also attract private investment. If the current trajectory continues, the industry will continue to have to bear the costs of decarbonisation while not getting paid any extra for their investments and erode what minimal profitability is currently being achieved. We see this with the proliferation of industry sustainability frameworks and reporting against these.

6. The role of carbon markets

The current carbon market is problematic on several levels for many landholders. The contracts can be financially risky and the 'selling' of a properties carbon asset can be an issue in whether that property can meet other industry standards, such as a net zero farm requirement via a sustainability framework or market access requirement. As carbon markets are a key driver of improvement in carbon sequestration, the status of current contracts offered to landholders should be reviewed and minimum terms of protection for landholder's financial security within the contract a goal. The requirement of additionality as a pathway to incentives remains a barrier to participation, as prior good practice, or good natural assets, are excluded from measurement and active market participation. As mentioned earlier, an essential factor to emissions initiatives is involvement of landholders in a transparent presentation of the impact that emissions mitigations will have on the global climate change initiatives. Putting aside market access and other requirements that follow on as imposing emissions requirements, if there is not an understanding of contribution there is a barrier to personal incentive, and a consequential lack of desire to undertake change, cost or production type where there is no discernible or demonstrated benefit. It is not constructive to consult and engage on mitigations, when the barrier already exists as to why bother? Top down government regulation has encouraged this approach and it will hinder uptake of technology and incentives in land management.

7. The role of the Australian Government

As stated previously, a consistent standard and methodology in measuring emissions, and a commitment to measure benefits delivered at a farmgate level from sequestration to ensure there are 'net outcomes' reported is critical. This is a difficult space as there are so many stakeholders requiring some verification, that there is no industry standard definition. Our understanding is that most market participants would welcome a standard being set that would negate their need to create definitions and that Government is best placed to work with agricultural sectors to develop cross commodity definitions and standards.

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Conclusion

NSW Farmers welcomes the opportunity to contribute to the development of the sectoral plan for agriculture and land, as part of the broader net zero plan. It is important to reiterate that the agriculture sector should not be targeted as the sector that can solve the rest of the economy's emissions reduction problems. There should not be specific targets set for agriculture that differ from other sectors, nor should the innate opportunity of the industry to deliver food and fibre security for the nation be compromised through unrealistic goals. As this sectoral plan is further developed, it will be crucial to engage with industry experts and its community, to ensure that the strategy is designed with the promotion of capacity building for the agriculture sector, so it can continue to be productive, sustainable and profitable towards 2050 and beyond.

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