Department of Agriculture, Fisheries and Forestry
GPO Box 858 Canberra ACT 2601

AGRICULTURE, LAND AND EMISSIONS DISCUSSION PAPER SUBMISSION RABOBANK AUSTRALIA

	Rabobank Australia Ltd
	ABN 50 001 621 129 AFSL 234 700
Postal Address	*GPO Box 4577*
	Sydney NSW 2001
Office Address	*Darling Park Tower 3*
	Level 16, 201 Sussex Street
	Sydney NSW 2000
Telephone	[redacted]
Internet	*www.rabobank.com.au*

About Rabobank

Rabobank Australia is Australia's only specialist food and agribusiness bank and a leading financier to the sector, helping farmers, SMEs and large corporate clients.

We are part of an international co-operative group based in The Netherlands, with more than 1500 staff working from over 60 offices across Australia and over 43,000 people globally in 37 countries.

Rabobank got its start as a group of small credit unions founded by farmers and has embraced an entrepreneurial spirit and cooperative mentality throughout our 125-year history. We remain a socially committed bank and we contribute to strong, liveable communities.

Rabobank worldwide helps rural clients continue to innovate and become more sustainable. We offer unparalleled research expertise with extensive international reach and work closely with our clients under the global mission of 'Growing a Better World Together'.

Rabobank has a robust strategy that embeds sustainability in everything we do, and a focus to:
- Act on Climate including supporting Paris Climate Agreement and Net-Zero Banking Alliance goals
- Protect and Restore Nature by acting on the Finance for Biodiversity Pledge and Taskforce on Nature-related Financial Disclosures
- Enable People by committing to UN Guiding Principles on Business and Human Rights and OECD Guidelines on Responsible Business Conduct

We do this by:
- Helping customers transition to a sustainable future through client insights and knowledge
- Helping move the system in a sustainable direction through systemic change
- Growing a sustainable portfolio

We are also focused on two key transitions:
- Food system transition - toward a future proof system based on responsible production and consumption of food
- Energy transition - toward a future proof system based on responsible energy production, distribution, and consumption

Our submission

Rabobank welcomes the opportunity to respond to the Agriculture, Land and Emissions discussion paper.

As a key market participant in Australia's food and agriculture sector, we offer unrivalled food and agribusiness banking insights not only domestically, but globally.

We acknowledge there are a range of opportunities available to the food and agriculture sector to contribute to Australia's, and the world's, sustainability and emissions reductions ambitions.

Our submission focuses on the need for higher ambition, and the mechanisms that can support and enable the required change. Our response is based on our sectoral expertise, and insights gained from our at-the-farmgate approach to client service, distilling reflections from our clients, and specifically from our unique Client Councils.

We also outline how supporting and enabling change starts with 'the why' and the role of education and knowledge building, simple and standardised tools for the measurement and sharing of data, and de-risking investment.

Rabobank welcomes the opportunity to respond or provide further clarification regarding our submission and where appropriate, engage on policy, approaches and plans as they begin to be solidified.

THE NEED FOR HIGHER AMBITION

Rabobank supports the need to be ambitious as it relates to the development of an agriculture and land sector plan to reduce emissions – given the necessity to set a pathway to achieve a variety of goals domestically, and as part of Australia's commitments globally.

As one of the world's leading food and agriculture banks, already pockets of our client base domestically (and internationally) are adopting practices and processes that reflect the increasing expectations of consumers, retailers, governments, and regulators – but we also recognise there is more to be done.

Rabobank sees the most significant barriers to action primarily at the farm level.

We have identified a range of recommendations that can contribute significantly to supporting the reduction of emissions and building carbon stores.

Sectoral Interconnectedness

The Federal Government has identified six priority sectors (electricity and energy; resources; the built environment; industry; transport; and agriculture and land) that will be prioritised to underpin Australia's emissions reductions goals.

One of the biggest opportunities will be to identify how these sectors interact, or can interact, through an emissions reduction (and broader sustainability) lens. We see the identification of sectoral linkages as critical – we cannot seek to have the six sectors set emissions reduction pathways and plans and then execute in silos.

Key linkages with respect to the agriculture and land sector plan will be with electricity (including the build out of electricity generation and transmission infrastructure in rural areas, and on-farm electrification), transport (including the development of EV charging infrastructure in rural communities), and industry (including addressing the emissions associated with the production of fertiliser and other farm inputs) sectors.

By clarifying sectoral interconnectedness, emissions reduction ambitions can be realised more efficiently from a cost and time perspective – which given the task at hand, will be beneficial.

Food System Transition

With respect to the agriculture and land sector plan, we would also encourage Government to look beyond emissions from primary production and consider the broader food system transition that will be required, both domestically and internationally given Australia's role as an exporter of agricultural products.

This might involve addressing emissions from food waste and considering the effects of dietary changes. Practically, it needs to involve identifying opportunities for information sharing and collaborations between stakeholders along the food value chain.

Broader Sustainability Lens

The plan should prioritise activities that also help meet other sustainability goals. For example, land-based carbon sequestration will also deliver positive outcomes for biodiversity and nature, and can also help build climate resilience. Conversely, the potential negative impacts of alternative emissions reduction pathways on nature, animal welfare, food security and rural communities must also be understood and considered, to avoid unintended consequences.

Economic Viability

Emissions reduction pathways must be clear, concise, and economically viable. The relative costs of different interventions will inevitably weigh on farmers' motivation to adopt them. For the value chain and financial sector, economics will inform where investment is directed to deliver the desired emission reduction outcomes and determine bankability.

Any emissions reduction plan must also be accompanied by appropriate education, tools, and investment, as described below.

SUPPORTING AND ENABLING CHANGE

The Why drives change

As noted, we see one of the key barriers to action is at the farmgate. From our conversations with clients, the decision to implement an emissions reduction strategy will only be made once a landholder/producer understands the benefits of action – and the risk of inaction, which includes climate resilience, production outcomes and trade-offs, access to trade and access to capital.

There is significant value in addressing upfront **why** change is needed – particularly for farmers in the context of their business. Rabobank has been active in providing insights to our rural clients in outlining the drivers for change, but there is a role for Government – in consultation with sustainability experts, corporates, and farmers – to develop a value proposition to support change at scale. This should include helping farmers understand the relationship between emission reduction and sequestration strategies, and production and profitability outcomes.

Once the value proposition has been established, landholders and producers will be motivated to develop the skills, knowledge and capabilities needed to effect change.

Investment in Education and Knowledge Building

In Rabobank's previous submission to the Climate Change Authority's review of the CFI Act (14 July 2023), we identified one of the most significant challenges to uptake of carbon sequestration opportunities as a lack of landholder education and understanding, and called for the introduction of independent expert advice (relating to ACCUs) to support informed landholder decisions and promote improved outcomes across agriculture.

More broadly, we see education and knowledge building as critical. Without the necessary landholder education and understanding, emissions reduction ambitions will be unattainable, noting, this comes at a cost. Farmers and small food and agribusinesses operators do not have the financial means to run their businesses (particularly during times of natural disaster or drought), invest in new tools and equipment, service loans, pay wages, and meet compliance costs – while also investing in education programs, tools, and additional resources to meet emissions reduction objectives.

In our CFI Act submission we noted the criticality of additional pathways and funding for landholders/land managers to gain independent strategic advice that is targeted to their region and operations. Such advice needs to address carbon emission reduction pathways, sequestration potential, and trade-offs relating to profitability and productivity.

Financial sector participants have a role to play here, either in partnership with Government, other corporates, or peer organisations in the sector.

We note, however, that regulation around competition/collusion may present challenges where industry participants need to work together to support processes, pathways, and systems to deliver against broader emissions reductions objectives. To maximise its role as an enabler, Government will need to be cognisant of how to most effectively to encourage cooperation amongst competitors, as required.

Rabobank's approach

Rabobank invests in the education of our clients and front-line employees about GHG emissions. In Australia, we've undertaken around 60 workshops, delivered by the University of Melbourne, to educate rural clients (alongside account managers) about what emissions mean for their business, how to calculate their emissions, and what they can do to reduce them.

This is a national program with over 1100 clients participating across all major agriculture commodity sectors. The 1.5-day course reflects a significant investment as part of our global 'Road to Paris' program.

**

Separately, Rabobank is involved in helping to establish circular food system initiatives, including in the Netherlands where successful models have already been established. In Australia, we have brought this global expertise to the Bega Circular Valley project (NSW).

The project was borne from a shared vision about the importance of transitioning to circular food system models and a realisation that this had to begin on the ground and involve all stakeholders.

It evolved from just relating to Bega Group itself to encompassing partners across the Bega Valley and beyond – to involve local dairy farmers, businesses, council, government, and universities, with the project focus to develop and put in place a circular food system within the Bega Valley.

While not specifically emissions reduction related, it is a demonstration of how collaborative programs can be executed when tiers of government, corporates, small businesses, and communities work together to influence change.

Data and Tools

A consistent and trusted approach to obtaining farm-level data on GHG emissions and carbon sequestration will be a key enabler of emissions reductions within the agriculture and land sector.

The considerable benefit that can be derived from the harmonisation of on-farm carbon calculations – that can be shared along the supply chain and with other stakeholders – should not be understated. The current proliferation of different calculators, which serve different purposes, creates confusion around the useability of the data either to underpin emissions reduction strategies or for reporting.

Government support will be key to providing the infrastructure to enable sharing of sustainability data (including GHG emissions data) within supply chains and with the financial sector. For example, with responsibility for enterprise-level calculators currently sitting with AIA, we suggest moving this capacity to fall under the NGGI with guidance, ownership and management sitting with the DCCEEW.

De-risking Investment

There are a range of options that may underpin the scaling of emissions reductions – and a role for Government in mobilising private capital and de-risking investment. Government can support and accelerate the transition through a suite of capital options including potentially equity, grants, and incentives for farmers, such as access to funding to defray the set-up costs and capex required to establish emission reduction strategies. Traditional lending models are currently not fit for purpose and Government may seek to use its capacity to act across the full capital spectrum from senior debt to equity to create blended finance solutions requiring support from commercial banks.

Conclusion

There is significant opportunity for Australia to achieve its sustainability goals through the implementation of the six sectoral plans currently being developed and we thank the Department for engaging with participants in the agricultural and land sector to canvass a diverse range of views.

As a key financial services provider to the food and agriculture sector, Rabobank accepts our role in supporting our clients' transition, including through education and knowledge building.

With the biggest upside being at the farmgate we see that prioritising consideration of sectoral interconnectedness and of the broader food system transition, investment in education and knowledge building, standardising tools and simplifying data access, and de-risking investment will enable delivery of the best outcomes in the most efficient manner for Australia.

We welcome the opportunity to provide further clarity on any element of our submission should it be useful to your consultation.