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Sustainability

The path forward is emerging

It's becoming clearer how certain food and agriculture companies are proceeding in an increasingly polarised landscape, with two big players doubling down on their climate goals. These developments highlight a strategic focus on supporting supply security and prioritising sustainability-related goals that offer a solid business case.

In New Zealand, dairy cooperative Fonterra has announced **new funding incentives connected with on-farm emissions reductions.** The cooperative will introduce a payment system for farms that meet certain emissions-related criteria.

This includes a new payment under Fonterra's Co-operative Difference framework of 1-5 cents per kg of milk solids for farms that meet framework criteria and have farming emissions lower than the co-op's baseline year. There will also be an Emissions Incentive payment of 10 to 25 cents per kg of milk solids for farms that meet framework criteria and have an emissions footprint around 30% lower than the average farm. This Emissions Incentive payment is funded by separate agreements with Mars and Nestlé.

US multinational **Archer Daniels Midland (ADM) has announced its intention to stand by its climate commitments, despite some other US companies scaling back their environmental commitments** following reduced national climate ambition under the new Trump administration. ADM has committed to reduce its scope 3 emissions by 25% by 2035, with a strong focus on supporting the adoption of sustainable agricultural practices to help achieve this goal.

Strategically, **these initiatives reflect a growing emphasis on using sustainability goals to help secure supply and deliver tangible returns.**

For Fonterra, the new funding and incentives may not only help reduce emissions but also strengthen relationships with customers who value reduced greenhouse gas emissions footprints. This approach supports Fonterra to remain competitive while meeting market access expectations and complying with reporting obligations.

Similarly, ADM's objectives can help achieve alignment with consumer-facing brands, ensuring they remain resilient in a rapidly changing regulatory environment.

What to watch:

- **The European Union is planning to simplify its climate reporting rules –** Recognising the cost burden associated with reporting, there is a push to reduce requirements. This could potentially cut reporting obligations, legal liabilities, and the number of companies in scope, as well as delay new reporting standards.

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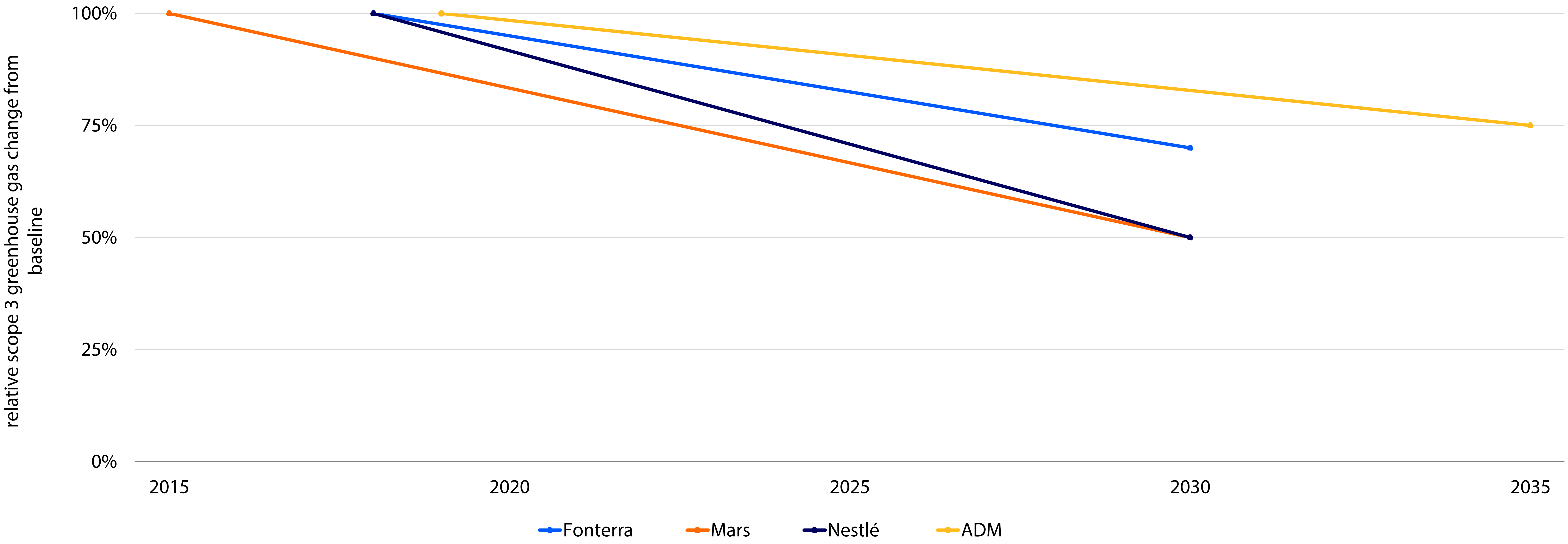
Focus on food and agriculture value chain emissions persists, driven by strategic and competitive pressures

Scope 3 greenhouse gas reduction targets drive emissions initiatives back to the farmgate



Source: *Company reports, RaboResearch 2025*