



All Systems Are Go!

Markets and finance: The global perspective and how banks are supporting farmers

Jacqui Macalister

Agri Summit 2024



What is the nature of the opportunity...

A Premium?

“Is the ‘volume to value’
mantra true?
Yes and here’s why”

Newsroom

Vincent Heerings

Vincent Heerings is a communications advisor and writer. He works with a variety of technology and food clients. He has an MBA at Brunel University.

COMMENTS BY ALEXIS HUBBELL, LINDA SMITH, DAVID REIDMAN

PRIMARY INDUSTRIES

Is the ‘volume to value’ mantra true? Yes and here’s why

The last year has been a re-education about the primary sector, writes Vincent Heerings. It's been humbling and instructive, meeting incredible entrepreneurs, progressive farmers, and people who give a damn about real food and the true meaning of wealth

You've heard the phrase so often it's become a cliché: New Zealand's primary sector must move from 'volume to value'. We must shift from being low-cost, commodity producers – think logs, carcasses, bins of fruit – to quality food and fibre producers, achieving a premium for our manufactures.

Since the 1970s, adding value has been the subject of working groups, white papers, training courses, bootcamps and fireside chats.

So, have we? After so many papers and pow-wows, is the volume-to-value story actually happening?

... or Access?

“EU and New Zealand
seal trade deal
with tougher new
green rules”

POLITICO

Goods trade with the Kiwis is tiny but the deal will help fire up the EU's free-trade agenda.



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Silver Fern Farms
& Nestlé

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International treaties:

- Paris Agreement
- Kunming-Montreal Biodiversity
- COP28 Declaration on Sustainable Agriculture & Food Systems

Environmental standards in trade agreements: EU-New Zealand Trade Agreement

Tariffs: Carbon Border Adjustment Mechanism (CBAM)

Regulation:

- Mandatory climate disclosure standards (EU, UK, US, AU)
- EU Corporate Sustainability Reporting Directive (CSRD)
- EU Corporate Sustainability Due Diligence Directive (CSDDD)
- Greenwashing legislation (EU, UK, US, AU)

Food majors' agriculture commitments

FAIRR (2023) *The Four Labours of Regenerative Agriculture: Paving the way towards meaningful commitments*

50/79
companies

worth USD \$3 trillion mention regenerative agriculture

Of which:

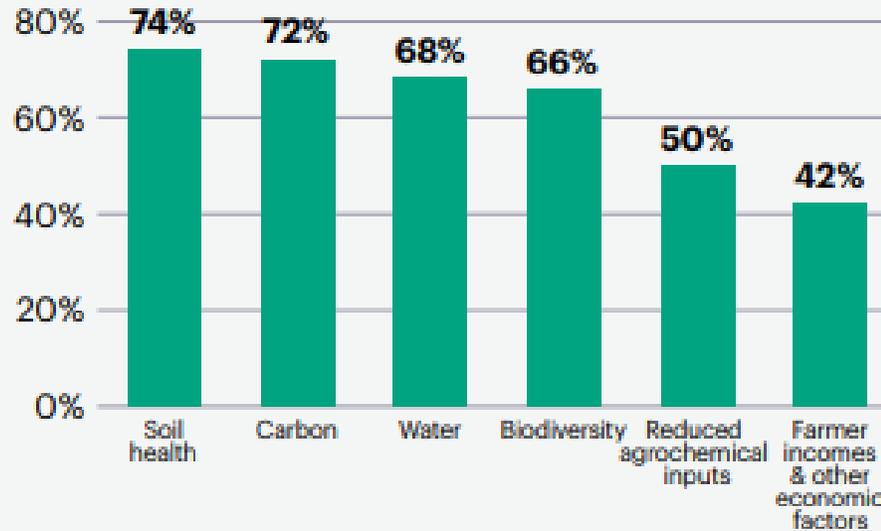
36%

have quantified targets for regenerative agriculture

8%

have targets to financially support farmers to deploy regenerative practices

Key sustainability outcomes sought by companies with regenerative initiatives



Source: FAIRR 2023

Nestle: 1.2 billion CHF (1.4 bn USD) over five years.

Unilever: €1 billion over the next decade in its Climate & Nature Fund.

Food majors' climate commitments

Coca-Cola

Net zero by 2050, including Scope 3 emissions 25% by 2030.

Danone

Net zero by 2050, including Scope 3 emissions 50% by 2030.

Fonterra

Net zero by 2050, including 30% intensity reduction in on-farm emissions by 2030.

General Mills

Net zero by 2050, including Scope 3 emissions 30% by 2030.

Kellogg Company

65% absolute reduction by 2050 (Scopes 1 & 2), including absolute Scope 3 emissions 50% by 2050, and Scope 3 emissions 15% by 2030.

Mars

Reduce emissions 27% by 2025 and 67% by 2050.

McDonald's Corporation

Net zero by 2050 across restaurants, operations and value chain.

Nestlé

Net zero by 2050 (all Scopes), reduce emissions 50% by 2030.

Pepsico

Net-zero by 2040, including Scope 3 emissions 40% by 2030.

Sainsbury's

Net-zero by 2035 (operations), including Scope 3 emissions 30% by 2030.

Tesco

Net-zero by 2050, including Scope 1+2 by 60% and Scope 3 17% by 2025.

Unilever

Net-zero emissions 2039 (from all products), reduce agriculture emissions 30%.

Action towards net zero emissions by 2050



We are committed to exit lending to coal mining by 2030. We are likely to continue to have residual performance guarantees to rehabilitate existing thermal coal mining assets.



We are committed to transitioning all operational and attributable GHG emissions from our lending and investment portfolios in line with pathways to net zero emissions by 2050.



We are committed to not finance greenfield oil extraction projects or onboard new customers with a material focus on oil extraction, oil and gas extraction, production, or any pipeline projects within, or impacting, the Arctic National Wildlife Refuge area or any similar Antarctic Refuge, and oil/tar sands or ultra-deep-water oil and gas extraction projects.



We disclosed our financed emissions for the power generation, and oil and gas sectors in our [2022 Climate Report](#). In our 2023 Climate report we have expanded our financed emissions calculations to cover industry sectors, representing 99% of our Gross loans and advances to customers.



We have worked with 51 of our most emissions-intensive customers to complete transition assessments aligning with the Transition Pathway Initiative to understand their preparedness for a low emissions economy.

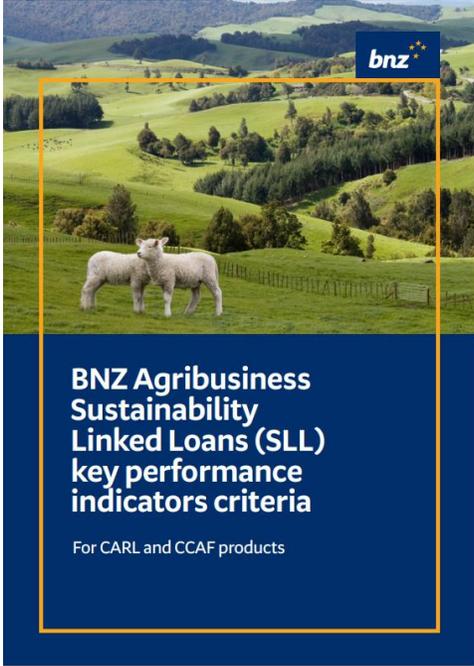
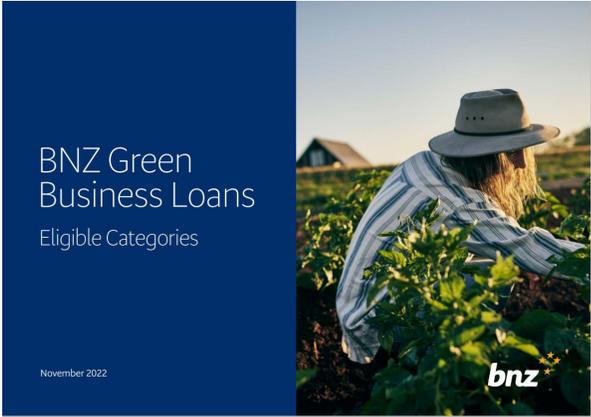
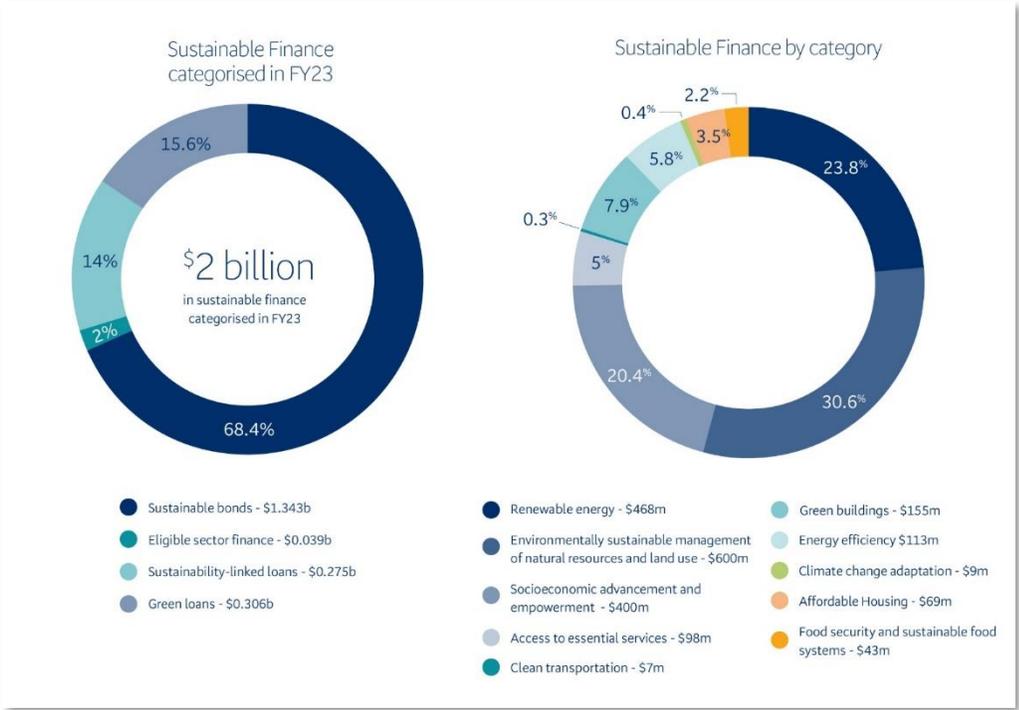


In line with our commitments under the UN-convened Net Zero Banking Alliance (NZBA) and in support of New Zealand's requirements under the Climate Change Response (Zero Carbon) Amendment Act 2019, we set and disclosed our emission reduction targets for Dairy, Coal Mining, Oil and Gas, and Power Generation BNZ Net Zero Banking Alliance target disclosures.



By the end of 2024, we will set targets for the remaining NZBA sectors, where these are material to our portfolio. As well, we will release our first mandatory climate disclosure.

Agri loans



Green Loan

BNZ Green Business Loans

Eligible Categories

November 2022



Renewable energy

- Solar energy
- Green hydrogen
- Electric grids and storage



Clean transportation

- Battery electric vehicles (BEVs)
- Plug-in hybrid electric vehicles (PHEVs)
- Infrastructure - electric and hydrogen



Sustainable land & water use

- Agriculture and horticulture
- Aquaculture
- Water use efficiency technology
- Effluent ponds
- Water storage and supply
- Irrigation
- Hydroponics and aquaponics



Energy efficiency

- Smart power meters and software
- IoT sensors
- LED lighting
- Heating and cooling systems
- Insulation and glazing
- Biomass energy and electric boilers



Pollution prevention & control

- Waste sorting and treatment
- Recycling facilities including eWater
- Waste processing equipment

A zero emissions 'cherry on top'

Forest Lodge Orchard in Central Otago is on a mission to grow and harvest cherries with zero emissions across their operations. It's a goal that inspires others within the agricultural industry to the possibility of harnessing clean tech to help reach New Zealand's commitment to net zero emissions by 2050.

The orchard selected the Upright Fruiting Offshoots (UFO) training system to help reduce the energy requirements associated with producing high quantities of high-quality cherries.

BNZ has been on the transition journey with Forest Lodge Orchard since 2021, supporting and challenging the team where necessary to ensure the environmental and commercial benefits align for long-term financial viability.

BNZ was able to support Forest Lodge Orchard with Sustainable Finance to acquire:

- New Zealand's first electric frost-fighting fans.
- New Zealand's first electric tractor (The Monarch MK-V), which it shares and demonstrates to other growers.
- EVs.
- Electric forklift, spray unit, mower, and orchard tools.
- Fully-electric farmhouse fuel heating.

To support this transition, Forest Lodge Orchard invested

in onsite solar power generation to support its entire operation, with surplus power sold back to the national grid.

“What we are doing with the elimination of fossil fuels is something incredibly difficult to model, but with BNZ's support for our vision and ultimately the capital they provided (which other banks were not willing to consider) meant that we could build a world first - an electric farm that has had tens of thousands of visitors in the last 3 years and inspired many to make their next purchasing decision electric.”

Mike Casey, CEO Forest Lodge Orchard





Sustainability-Linked Loan

Criteria for livestock farms and crops

1. Climate Change Mitigation
2. Pollution Prevention and Control
3. Sustainable Use and Protection of Water
4. Waste Prevention, and Recycling
5. Protection of Healthy Eco-Systems
6. Social
7. Other



**BNZ Agribusiness
Sustainability
Linked Loans (SLL)
key performance
indicators criteria**

For CARL and CCAF products

Sustainable Pastures

The BNZ-structured Sustainably-Linked Loan (SLL) to corporate dairy farming business Southern Pastures was New Zealand's first, on-farm SLL. This saw financing costs directly linked to water quality and biodiversity improvement and emissions reductions targets.

Southern Pastures owns 20 farms in Waikato and Canterbury and produces milk under an independently-verified 10 Star Certified Values Programme that sets strict environmental, climatic, animal, and human welfare requirements. It also owns Lewis Road Creamery Ltd.

As it nears the end of the three-year loan term, Southern Pastures has met all key performance indicators and exceeded biodiversity outcomes including:

- Planting native plants in agreed areas under Centre Pivot Irrigators in Canterbury to improve shade, shelter, and biodiversity.
- Continuing to use diverse pasture species to improve rooting depth and therefore pasture resilience, and potentially allow carbon reserves lower in the soil profile.
- Achieved GHG reductions in line with the original 10% reduction glide plan set in 2020.
- Reductions in nitrogen leaching against baseline levels.

“Having objective targets that are set and agreed with other informed professionals and then independently audited, assists to keep the pressure on our environmental stewardship even when business conditions are tight.”

Mark Bridges, Directory of Farming
Southern Pastures





“Not in his goals but in his transitions, man is great.”

Ralph Waldo Emerson