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California's climate disclosure legislation signals new expectations for food and agriculture

RaboResearch
Food & Agribusiness
knowledge.rabobank.com

Charlotte Talbott
Animal Agriculture
Sustainability Analyst

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Summary

Priorities around sustainability are shifting in the United States. Climate-focused action items are broadening to place particular emphasis on supply chain resilience, operational productivity, and risk mitigation. At the same time, the current federal administration has deprioritized many climate-related policies and withdrawn from the Paris Agreement. This scenario presents both challenges and opportunities for food and agribusiness companies.

For large businesses, climate disclosure will soon be a requirement to operate in California. The state's influence on resources and consumer goods warrants attention from all companies in the United States, regardless of whether they currently conduct business in the state or not. Other states have proposed similar legislation, and the European Union has already acted on climate disclosure. To maintain market access in these regions, businesses will need to allocate additional resources for data collection and reporting. Small to midsize companies can expect a longer timeline before reporting is legally required but may see an increase in requests for climate data from their buyers or customers because of the legislation.

Preparing for impending climate disclosure legislation at home and abroad will add costs, especially for those who are in the early stages of their carbon-accounting journeys. However, inaction could ultimately prove costlier, and an expanded understanding of climate-related impacts and pressures within complex agri-food supply chains will unlock opportunities for increasing efficiency, preserving market access, and strengthening resilience to manage future risks.

The outlook for sustainability in the US is transitioning but remains relevant

US federal policy priorities continue to shift amid increasing pushback against environmental, social, and governance (ESG) policies and scrutiny of green initiatives. Programs supported by the federal government are experiencing significant disruption, including the Partnerships for Climate-Smart Commodities (PCSC) grant program and the Inflation Reduction Act. Most recently, US Department of Agriculture Secretary Brooke Rollins announced the cancellation of the PCSC grant program, which previously committed USD 3.1bn toward the adoption of sustainable production methods and development of the sustainable commodity market. While Rollins noted that the funding will be revised to directly benefit farmers (as the Advancing Markets for Producers initiative), it is unclear if existing contracts will honor expenses incurred after April 13, 2025. We expect continued uncertainty around both state and federal sustainability policies, particularly as President Trump focuses on influencing the use of taxpayer dollars to support climate action.

Despite these political shifts, sustainability will remain an important topic for US food and agribusiness corporations. The US Sustainable Investment Forum reports USD 6.5 trillion of sustainable assets in total were under management in the US in 2024 (12% of the overall investment landscape). While climate-related federal programs and implementation of the Securities and Exchange Commission's landmark climate disclosure ruling are unlikely under the current administration, some states have taken the reins to continue action on climate. But state-level policies are also expected to face challenges. In April 2025, President Trump signed the executive order Protecting American Energy From State Overreach, which directs the attorney general to identify and stop enforcement of all climate-related state and local laws that are determined to be illegal. While the order does not specifically address California's impending regulation on climate disclosure, it does reference the state's cap-and-trade framework and aims to lower energy prices, protect interstate business, and prevent arbitrary or excessive fines without justification.

California plays a leading role in environmental policy

As one of the world's largest economies, California has the ability to set the tone on sustainability policy. In 2023, California became the first state to mandate climate reporting for certain public and private businesses. California Senate Bills (SB) 253 and 261 (see table 1) aim to drive company transparency for investors and consumers, ensuring public access to climate-related data and encouraging companies to accelerate the journey toward a net-zero carbon economy. Companies conducting business in California that meet the annual revenue threshold must disclose greenhouse gas (GHG) emissions under SB 253 and climate-related financial risks under SB 261. The California Air Resources Board (CARB) is scheduled to develop implementation regulations by the end of 2025 and will provide more detailed compliance guidelines. Initial disclosures will begin in 2026, reporting data from the previous fiscal year. Food and agribusiness companies should start collecting the necessary data and prepare for the complex task of measuring scope 3 supply chain emissions.

Table 1: Two primary legislative tools set to act on climate for California businesses, 2025

	California SB 253	*California SB 261*
Title	Climate Corporate Data Accountability Act	Climate-Related Financial Risk Act
Requirements	GHG emissions disclosure	Climate-related financial risk disclosures
Businesses in scope[1]	Companies with annual revenues of more than USD 1bn	Companies with annual revenues of more than USD 500m
	Companies who conduct business in California, public and private	
Key implementation dates	Scope 1 and 2 emissions: starting in 2026 for FY 2025 Scope 3 emissions: starting in 2027 for FY 2026	January 1, 2026
Estimated impact	5,000 companies	10,000 companies

[1]Mutually exclusive conditions; revenue threshold is NOT limited to activities within California.
Source: CARB, RaboResearch 2025

Many companies subject to California's climate rulings may already be voluntarily reporting through the Carbon Disclosure Project (CDP). In 2024, nearly 25,000 companies globally disclosed environmental performance data, including over 4,600 in the US. Food, beverage, and agribusiness companies represented 5% of global disclosures. Sustainability reporting is costly, especially for those that have not yet begun climate accounting and reporting or disclosing scope 3 emissions. A survey by ERM found that corporate issuers are spending an average of USD 533,000 annually on climate-related disclosure and estimated that investors are spending USD 1.4m per year to collect, analyze, and report climate data to better inform investment decisions. Costs vary depending on size, supply chain, and other factors, but first-year reporting costs are generally much higher than recurring reporting cycles. The survey respondents outlined their top benefits from climate-related disclosures, including better performance in meeting sustainability goals and improved access to data that advanced corporate strategy. Lower cost of capital was also referenced as a benefit of spending more on climate disclosure and may also be an advantage for companies that align with California's emerging disclosure legislation. Companies that have already reported through CDP or adjacent disclosure standards will be better prepared for California's new legislation. However, reporting formats will likely vary in scope and compliance detail.

How should agri-food companies prepare?

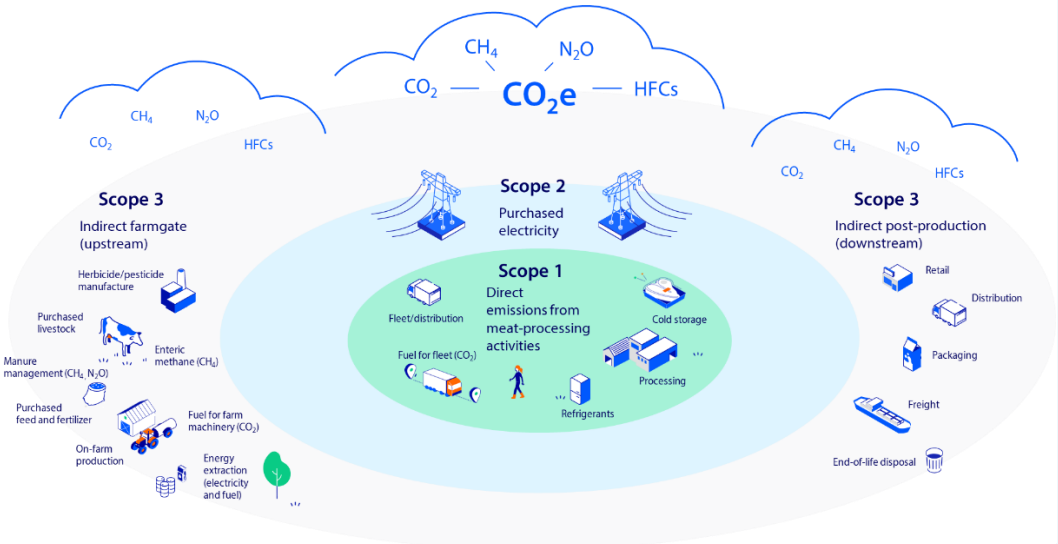
While federal action on climate reporting in the US is unlikely to progress under the current administration, companies should prepare for regional policies, potential political shifts in four years, and climate-related engagement from customers. Measuring scope 1 and 2 emissions is relatively straightforward, but scope 3 supply chain emissions are more complex, requiring identification of (in)direct suppliers and understanding their emissions profiles. This is particularly crucial for food and agribusiness companies, as most emissions generally occur upstream in the value chain (see related RaboResearch report *Global greenhouse gas accounting in food and agribusiness*). Despite the revenue and operational thresholds set by SB 253 and SB 261, we expect reporting entities to further engage with their suppliers and encourage them to set their own science-based emissions reduction targets to drive progress toward their goals. Over 10,000 global companies currently have near-term targets or commitments under the Science Based Targets Initiative (SBTi), including over 1,300 North American companies and 117 North American food and agribusiness companies. While 85 global food and agribusiness companies have removed their near-term targets (including 15 North American companies), commitments under SBTi continue trending upward globally.[1]

[1] SBTi Target Dashboard accessed June 11, 2025. Food and agriculture sectors include: 1) food production – agricultural production, 2) food production – animal-source food production, 3) food and beverage processing, 4) food and staples retailing, 5) forest and paper products – forestry, timber, pulp and paper, rubber, and 6) tobacco.

Example: Implications for an animal protein company

Small to midsize animal protein companies in the US can expect a longer runway before climate reporting is mandated but should prepare for more requests for climate data from their buyers or customers. This could include further-processing companies, for example, that enhance the value of meat through grinding, cooking, rendering, or otherwise preparing consumer-ready products. In the animal protein sector, secondary data used to measure emissions can be overstated compared to on-farm primary data. Secondary data involves the utilization of emissions factors and industry averages, which are applied to a company's unique value chain. This method limits the recognition of individualized practices or production efficiencies, but it is often the most accessible and cost-efficient approach in the absence readily available upstream primary data. Supply chain-emissions accounting is complicated in the US due to fragmentation, as seen, for example, in the beef sector (see figure 1). Our analysis of sustainability reports from the 20 largest global beef processors revealed that 35% are currently reporting scope 3 emissions publicly. Accurate measurement is crucial for the industry to demonstrate its actual sustainability contribution and to avoid greenwashing (e.g., misleading the public to believe an entity is doing more to protect the environment than it actually is). Some companies may retreat from setting GHG emissions targets and messaging publicly about ESG measures but can continue to pursue profitable sustainability initiatives internally. Beef companies that begin accounting for supply chain emissions early can prepare for regulatory requirements emerging in multiple jurisdictions. Other benefits include demonstrating added value from lower-emission products compared to sector averages and preparing for data requests from offtakers or downstream customers. On-farm carbon calculators may gain importance for cattle producers, but only if they can be linked to improvements in production practices and/or operational efficiency, do not add cost without benefits, and are universally accepted by the value chain. Data security and financial incentives for sharing production information are also critical for the success of carbon calculators in the cattle sector.

Figure 1: Scope 3 emissions represent the bulk of a meat processor's GHG emissions



Source: RaboResearch 2025

California has also proposed legislation requiring climate reporting by government contractors and suppliers. The proposed Senate Bill California Contractor Climate Transparency Act (SB 755) could have specific implications for food suppliers (via schools and other public nutrition programs), farm equipment dealers (via roadside maintenance functions), and more. SB 755 would require suppliers with over USD 5m in annual state contracts to report their climate-related

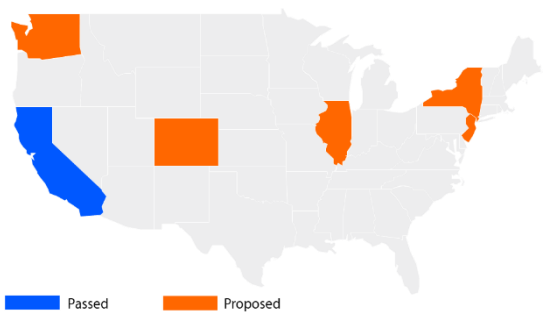
financial risks and GHG emissions. State procurements in California total more than USD 60bn per year. It is estimated that 25% of California suppliers currently disclose scope 1 and 2 emissions, and 18% report scope 3 emissions. Legislation targeting smaller companies and suppliers would represent a significant step toward corporate climate disclosure throughout the supply chain, including entities that are less prepared.

Companies will have some flexibility in the scope 3 measurement methodologies they apply. Obtaining on-farm sustainability and production data is complex, and it is unlikely that disclosure requirements will directly implicate farmers and ranchers. Producers who conduct on-farm sustainability assessments (e.g., FARM-ES for dairy operations) can strategically capitalize on any supply chain incentives provided downstream as climate accounting matures. Additionally, sectors with some degree of supply chain traceability will be better prepared to report compared to fragmented value chains. Measuring climate metrics is a preliminary step in developing mitigation plans. This process allows companies to identify cost-saving opportunities by addressing supply chain inefficiencies, especially for activities within their control. For example, reducing scope 2 emissions can also lower energy and utility costs.

Companies must navigate complex sustainability standards at home and abroad

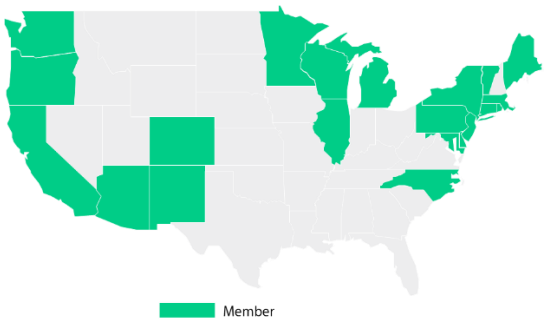
Action on climate disclosure in the United States is being pursued on a state-by-state basis. Several states have followed California's lead and proposed legislation requiring climate disclosure (see figure 2). This includes states committed to the goals of the Paris Agreement that are members of the US Climate Alliance (see figure 3). The 24 member states and territories pledge to achieve net-zero GHG emissions by 2050, accelerate policy action on climate, ensure an equitable environmental transition, and track and report progress to the public. The alliance's members, representing 57% of the US economy and 54% of the population, are more likely to follow California if current political strongholds persist. Proposed climate disclosure legislation in New York, New Jersey, Illinois, and Colorado follows revenue thresholds and compliance standards similar to those in California, although implementation and compliance details will likely vary. This patchwork of regulation creates a complex and divided regulatory landscape, but food and agribusiness companies are familiar with the complexity of state-by-state legislation and are used to navigating varying requirements for market access. Farm animal-confinement legislation, beginning with California's Proposition 12 and mimicked in other states, is a recent example.

Figure 2: States with finalized or proposed climate disclosure legislation



Source: State legislatures, RaboResearch 2025

Figure 3: Members of the US Climate Alliance



Source: US Climate Alliance, RaboResearch 2025

Despite shifting federal policy priorities, California's climate action marches on

California remains at the forefront of sustainability initiatives and continues to influence the marketplace in other jurisdictions. The state has maintained a leading stance on combating climate change through regulatory efforts, influencing in all segments of the agri-food value chain. Continued efforts, such as those outlined in California's Climate Change Scoping Plan, illustrate the pathways industries serving the state must comply with on a business-as-usual basis to return to 1990 emissions levels. The following policies will work alongside SB 253 and SB 261 toward advancing sustainability in California:

California AB 1305: Voluntary Carbon Market Disclosures Act (VCMDA)

Like mandatory climate disclosures, the VCMDA requires businesses marketing or selling voluntary carbon offsets in California to disclose detailed information about their carbon projects. This includes accountability measures for carbon offset programs and verification of claims of achieving net-zero emissions. Further clarification is expected in 2025, but companies buying or selling carbon offsets should treat the legislation as if it is already in effect.

California's Low Carbon Fuel Standard (LCFS)

The LCFS requires fuel producers to reduce GHG emissions from the transportation sector by promoting low-carbon fuels, innovating in fuel technologies, and diversifying the fuel supply. Its goals include reducing transportation fuels' carbon intensity by 20% by 2030, achieving net-zero transportation systems by 2045, supporting adoption of zero-emission vehicles, and improving the sourcing of sustainable biofuel feedstocks. Since the standard's inception, additional states have followed, including New Mexico, Oregon, Washington, and other states with proposed initiatives. While the transition has resulted in added costs for businesses in California, companies can benefit by generating and trading LCFS credits. This is an opportunity for companies involved in producing biofuels from agricultural products, including corn ethanol.

Cap-and-trade program

To meet California's GHG reduction goals, the cap-and-trade program sets a declining cap on the amount of emissions that may be released in the state each year. The program covers about 450 businesses responsible for approximately 85% of California's emissions, including large power plants, industrial plants, and fuel distributors. Revenues go toward the state's Greenhouse Gas Reduction Fund and are appropriated to agencies that fund further GHG reduction efforts. To date, the program has generated USD 5bn. Entities covered under the program must either reduce emissions, obtain allowances (or permits) to cover their emissions, and/or purchase carbon offsets.

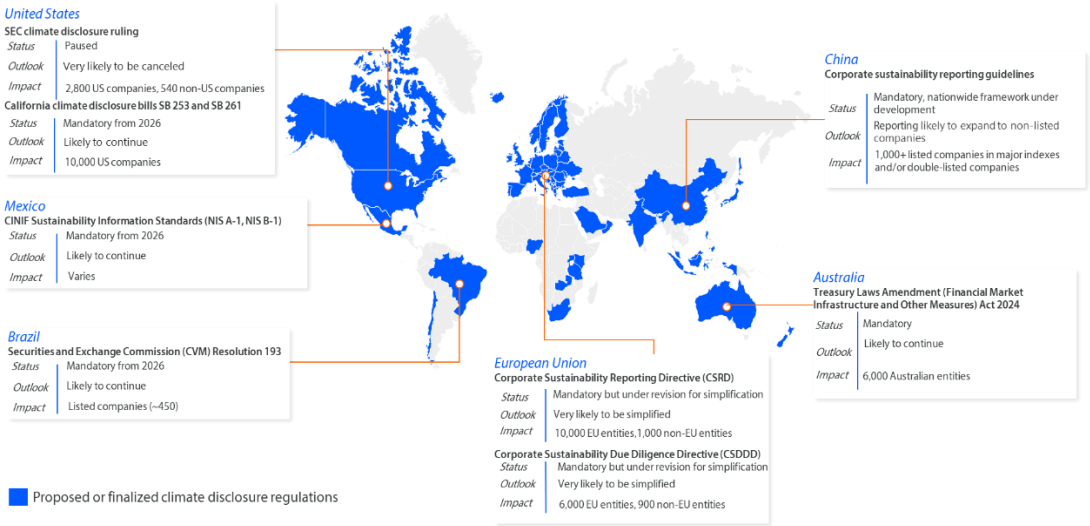
Large corporations should also watch international climate policy

Comparable emissions data will be crucial for compliance with international regulations. Adherence to the guidelines of international climate disclosure standards will be especially complex for multinational companies, as not all formats are interchangeable. Harmonized guidelines that allow for comparability across regions and can accommodate local contexts will aid this process, enabling companies to address region-specific challenges effectively. This is particularly true for large US parent companies with operations or subsidiaries in jurisdictions that require climate disclosure, like the European Union.

In the EU, key legislation requiring sustainability-related disclosures includes the Corporate Sustainability Reporting Directive (CSRD) and several other laws. The CSRD distinguishes between US-based parent companies and their EU-based subsidiaries. While both must report across the full ESG spectrum and include the supply chain, subsidiaries are treated as EU entities. They follow the same reporting timeline, apply the European Sustainability Reporting Standards (ESRS), and disclose sustainability impacts and risks (double materiality) related to their EU operations and supply chains. In contrast, US parent companies will begin reporting in 2029 under the guidelines for non-EU companies (NESRS), which are expected in 2026. They must disclose the sustainability impacts of their global operations (impact materiality only). New exclusions for smaller companies as part of an omnibus package intend to protect EU competitiveness throughout global markets. The omnibus proposal – currently going through the EU legislative process for adoption by 2026 – is estimated to reduce the number of entities that are mandated to report under CSRD by 80% and data points by about 50% (see omnibus proposal FAQs). Other regions, including Australia (see related RaboResearch report), New Zealand, and Brazil, are also awaiting implementation of climate disclosure legislation (see figure 4). As noted in a previous RaboResearch publication, the CSRD mandates disclosure but intends to transform business behaviors toward integrating sustainability into regular decision-making and risk analysis. Smaller companies, farmers, and agricultural producers will not be directly subject to the CSRD. However, like California's legislation, many businesses will be indirectly impacted by customer requests for sustainability data and value chain-efficiency improvements.

The International Sustainability Standards Board (ISSB) has been referred to as a global "passport" for climate disclosure, although differences within each jurisdiction's legislation should be examined closely. As the industry waits for detailed guidelines from CARB, most are hopeful that California's legislation, ISSB, and other international standards will have a high degree of overlap. Disparate reporting is not only more expensive and time consuming but detracts from comparability and companies' ability to apply sustainability data into revenue and risk processes.

Figure 4: Jurisdictions with proposed or finalized climate disclosure regulations cover 80% of the global economy



Source: National policy and regulatory documents, RaboResearch 2025

Regulatory uncertainty remains, but inaction poses a greater risk

California's climate disclosure laws have already survived most legal challenges. The remaining lawsuit alleges violations of the First Amendment but has not yet impacted regulatory implementation. Further pushback is expected once CARB issues compliance guidelines, but companies should proceed with preparation, as litigation will likely persist beyond the phase-in dates for SB 253 and 261. While CARB has yet to finalize enforcement protocols, it has defined penalties for noncompliance – up to USD 500,000 annually under SB 253 and USD 50,000 under SB 261. Notably, CARB has announced companies making a good-faith effort to comply will not face misstatement penalties for incomplete emissions disclosures in 2026. This grace period offers a critical window for companies to strengthen their emissions data infrastructure and climate risk disclosures. However, relying on temporary leniency is not a long-term strategy.

Beyond compliance, another risk lies in falling behind. As more states introduce similar legislation and policy continues to evolve, future US administrations could once again shift regulatory priorities. Physical climate risks are intensifying, and transition risks (including investor expectations) are accelerating. Companies that proactively build resilience and transparency into their operations will be better positioned to navigate future policy shifts and market demands. The context and implementation of sustainability in food and agriculture is also evolving in the United States. Corporate ESG conversations are broadening, from focusing solely on climate to incorporating water quality, water scarcity, and social sustainability. Discussions of supply chain resilience, risk mitigation, and operational productivity, in addition to sustainability-related mitigation strategies, are particularly noteworthy. This is an opportunity for agri-food companies, as risk management and productivity-enhancing activities often have a more immediate perceived benefit for return on investment compared to longer-term initiatives. Measuring climate-related financial risks and supply chain emissions is an initial step toward identifying risk management strategies that can positively impact efficiency along the way. While regulatory uncertainty persists, inaction poses a greater risk for the food and agribusiness sector.

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knowledge.rabobank.com

Charlotte Talbott | Animal Agriculture Sustainability Analyst | charlotte.talbott@raboag.com

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