Canadian Roundtable for Sustainable Crops

Showing the Sustainability of Canadian Grain Production

Risk and opportunities

Summary of analysis

1. Showing sustainability – how does it matter to…
   - Global markets
   - Canadian market
   - Governments in Canada
2. Contribution that a Code could make to showing sustainability and how it could work

Key informants

- Land O'Lakes
- Warburtons
- Greenfield Global
- Maple Leaf Foods
- Cavendish Farms
- Aramark Foods
- Federated Co-op
- Loblaws
- PepsiCo
- Viterra
- G3
- Paterson Global Foods
- Combyne Ag
- Cargill
- Canola Council of Canada
- Grain Farmers of Ontario
- Cereals Canada
- Nutrien
- Canadian Centre for Food Integrity
- Farm and Food Care Canada
- Farm Credit Canada
- Field to Market Canada
- Canadian Roundtable for Sustainable Beef
- Agriculture and Agri-Food Canada
- Saskatchewan Agriculture

Global market situation

- Exporters are being asked for a range of information about the sustainability of our grains, oilseeds and special crops
- Questions vary from general claims to specific metrics or verifications/certifications that their customers can provide to their own customers.
- Questions mainly from European and North American customers, but growing from Asian markets.
- Concerned also that in the absence of a common Canadian approach, requests will continue to be fragmented by customer and by crop, and will be increasingly onerous
- Also cited that countries that have something to offer that Canada does not could disadvantage our grain industry
- **Doing nothing is not an option:** standards will be imposed externally.

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What is driving these questions from customers?

Large company sustainability commitments and actions

- pressure by investors (equity and debt)
- pressure by shareholders and employees
- competitive positioning and branding
- customer requirements within transactions
- positioning for the future, such as anticipated regulatory change or market requirements

Companies are expected to provide ESG reports; GHG reduction targets

Consumers expect international brands to take action on climate change and other Sustainable Development goals such as water, soil and wildlife, as well as communities

Most evident in North American and European based companies, but interest growing in Asia

GHG reduction targets have implications for farmers

- Most countries are establishing carbon reduction goals
- Many companies are establishing carbon reduction goals– using Greenhouse Gas Protocol (SBTi)

  Scope 1 covers direct emissions from owned or controlled sources.

  Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company.

  Scope 3 includes all other indirect emissions that occur in a company's value chain

For food manufacturers, most of the GHG emissions are in Scope 3 at the production level. ***It is challenging for even no-till grain producers to reach carbon neutrality.***

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Examples of grain users' commitments

all have GHG reduction targets; but many have additional commitment

Mondelez International Honey Maid, Oreo, Ritz, Wheat Thins	PepsiCo Quaker Oats, Lay's, Tostitos	General Mills Pillsbury, Nature Valley, Betty Crocker, Pillsbury	McCains
Suppliers will work to continuously improve its environmental performance by setting and then working toward quantifiable goals that reduce the environmental impact of its activities.	*Regenerative practices across seven million acres of land by 2030.* *Sustainably source 100% of key crops and ingredients by 2030.*	*Reduce absolute GHG emissions across full value chain by 30% by 2030* *Reduce absolute GHG emissions to sustainable levels by 2050* *Advance regenerative agriculture on one million acres of farmland by 2030*	*30% reduction in emission intensity (Scope 3) by 2030* *Implementing regenerative agriculture practices across 100% of potato acres by 2030* *Removing palm oil from frying operations of McCain branded product by 2025*

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Competitors' actions to show sustainability

Key informants agreed that sustainability is not a factor in all grain and grain product markets. However, for the higher value markets, and value-added products, Canada's position vis-à-vis competitors will matter.

- U.S. Soy Sustainability Protocol
- U.S. - Field to Market
- U. K - Red Tractor
- U.K. - LEAF
- Ireland - Origin Green
- Sustainable Grain Australia - ISCC
- Grain Care Australia
- Brazil/ Argentina - Roundtable for Sustainable Soy
- Brazil - Certified non-rain forest production

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Canadian Market Situation

Canadian food service/retailers have sustainability goals

Loblaws	McDonald's	Aramark Foods	Federated Co-op
Reduce electricity emissions by 35% by 2030 *Increase waste diversion to 80%/95%* *Reduce the intensity of transportation emissions*	*36% GHG emission reductions related to their restaurants and offices* *31% GHG reduction in emissions intensity (per metric ton of food and packaging) across supply chain*	*Sustainability goals for:* *- responsible purchasing* *- efficient operations* *- waste minimization* *- fleet management*	*Sustainability goals for the company.* *"Grown with Purpose" program in 2019 that works with farmers to make their operations as sustainable as possible, without compromising economic gains.*

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Canadian's trust farmers, but not necessarily farming

Interest in how farming is conducted is increasing, some say accelerating

- In the sustainability landscape, climate change is top of mind issue for Canadians
- For farmed products, this issue is directly impacting meat consumption
  (One of the top reasons that consumers are choosing plant-based products is related to sustainability and the goal of decreasing their environmental footprint.)

Farmers are trusted, but not necessarily how they farm

- (43% high level of trust in farmers, 54% neutral, 3% low trust)
- Specific to grain production, pesticides/pest control products top of mind
  (42% believe more regulations are needed – pest control products on top of list)

Trust in farm production practices varies within Canada

- *Those that responded that pest control products/pesticide were not very or not at all safe: 42% Saskatchewan/Manitoba; 62% Quebec)*
- But what happens in a region can have a significant impact across the country

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Why public trust matters

- The following excerpt from the government of Saskatchewan Public Trust Strategy 2019 describes the generally held view of the value of public trust

"Maintaining the public's trust is key …….. It ***allows producers access to the tools and technologies they need to be sustainable and competitive****. It allows* ***access to domestic and international markets*** *and helps attract investment, innovation and people in the sector. It also* ***supports science-based policy and decision making****."*

Public trust has also been referred to as "license to operate", meaning sufficient trust in the public of modern agricultural practices so as to permit farmers to continue to use those tools and governments to enable their use.

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Public opinion impact on governments

High government expectation of transparency along the agriculture supply chain and engagement with general public

GoC and provincial governments preference is for industry to manage public trust issues so as to avoid pressure for additional regulations.

Government will use levers in current or planned policy instruments to generate preferred outcomes *(such as Clean Fuels Regulations/ land use change)*

Public trust referenced in Guelph Statement, the blueprint for the next policy framework

What does all this mean for Canadian grain farmers??

- Although showing that we are sustainable, is not currently impacting the majority of grain exports, the expectation is the importance of this will continue to grow, and rapidly
- There is a risk that potentially Canada will be shut out of the higher-priced markets if we cannot show that our farmers are sustainable – many of our competitors are already preparing
- There will be immediate pressure from food company buyers and the governments, as they push to meet their commitments to GHG reductions and other climate change mitigation measures.
- On the home-front we know from experience that a lack of public trust specific to industry practices can be followed by heightened government regulations and/or full-on restrictions.
- In addition, if Canadian grain farmers are not considered doing their part for GHG reductions and/or protecting soil, water and wildlife, there will be public pressure for additional regulations

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Governments and sustainability

Governments in Canada

- International pressures and commitments driving policies on sustainability
  - Paris Agreement on climate change
  - UN Sustainable Development Goals/ UN Food Systems Summit
  - United Nations Convention on Biodiversity
- Canadian government wants to position agriculture as part of the solution; driver is whole of government (EXAMPLE: target reduction of GHG emissions from agriculture fertilizer use)
- Expectation is that focus on sustainable development will not decrease
- Pressure from international governments to adopt like practice goals rather than outcomes, and potential impacts on trade: i.e. EU Farm to Fork and Border Carbon Adjustments

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FPT Policy Framework 2022-28

- The Guelph Statement is the blueprint for the policy framework that provides direction and funding for federal-provincial-territorial cost-shared programs, including Business Risk Management
- The Statement was signed by all FPT governments; significant reference to sustainability

Advancing sustainable agriculture and agri-food
The next policy framework will reflect the principles of sustainable development allowing the agriculture and agri-food sector to meet the needs of today, and grow for tomorrow, without compromising the needs of future generations.

- **Climate change and environment**
- Prepare for and respond to a changing climate by supporting Beneficial Management Practices and accelerating technological adoption
- Reduce GHG emissions, and improve carbon sequestration
- Protect and regenerate soil, water and air quality
- Improve biodiversity and protect sensitive habitats

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Potential contributions of a Code of practice to demonstrating sustainability

A Code of Practice was selected by the Grains Roundtable because..

- An **opportunity** to highlight all the good practices that Canadian grain farmers have adopted
- Show **leadership** by grain farmers; that they care about sustainability and are doing something about it
- Permit Canadian grain farmers to **define sustainability** according to science, so would embrace good practices arising through modern grain farming
- Balance sustainability goals with costs and revenues, so that all practices identified would be **reasonable** from a farmer perspective
- **Flexible** enough to include all cereals, oilseeds and special crops, and could cover the full country, thereby providing a consistent message that all could use
- **Complement** other actions in Canada that help improve public trust and market advantage
- **Most grain farmers in Canada are already following the practices that would be included in a Code**
- Be **voluntary**, and progress reported by using survey data rather than asking farmers to enrol and report

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What key informants said
value of Code for global markets

- **We do not have anything at this point** that covers the bulk of Canadian grain, so a Code would be welcome.

- Some marketers already using Code concept in discussions with customers – **high interest in a number of markets.**
- Customers sourcing from countries with assurance systems are asking – **a Code could serve as a discussion starting point.**
- Code could help marketplace demands of sustainability are **correctly interpreted in Canadian context**

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What key informants said *value of Code for global markets*

- A Code is intended to be a whole-farm approach, so can be used to **prevent fragmented approach**.
- Code covers all grain crops and is able to help respond to purchasers of the **full range of crops.**

- Companies will brand their products their own way, but Code can help in consistency of Canada within those brands. **Code can serve as the baseline**.
- On a food company branding basis, pressure is to reduce GHG emissions: that is **most** important. If adoption of Code can lead to **reducing Scope 3 emissions**, then of great interest.
- Can use Code to show **continuous improvement** over time.

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What key informants said *value of Code for Canadian market*

- Code allows **efficient story telling;** food retailers/food service will tell the farmers' story if they have a tool to help them.
- Quicker message; **partnership between retailer and farmers** (consumer facing versus supplier)
- Rely on industry to build systems that collect farmer data. **If systems not in place, then claims cannot be made.**
- **If the industry does not lead, there will be regulations.**
- **Balance environment with social**; codes permit the inclusion of goals such as gender equity and multi-cultural diversity.
- Perceptions are leading to decisions on purchasing. **Code of Practice supports transparency;** therefore supports public trust.
- Perceptions also can drive public policy; **Code can help correct misinformation.**
- Can help avoid perception that farmers are dragging their feet; can be used to **demonstrate progress** that is already being made.

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Guidance for code implementation

1. Keep it simple
2. One Code for all users
3. Balance between robust and best practices already implemented
4. Meaningful reporting

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Keep it simple

- Systems that are complex use third parties for collecting data
- For a Code to be adopted, needs to be easy for grain farmer **and** buyer to use
- Farmer self-assessment is recommended, based on a series of questions
- Third-parties **not** needed to record information

- Reduce size from draft Code: focus on the practices that markets/public are asking about
- Use familiar mechanisms for implementation, such as elevator producer declaration

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One Code for all users

- **Do not want a Code used as a competitive difference between companies**
- Pre-competitive rather than company branding; Want one set for all customers/ retailers
- Likely that no premiums would be offered for delivering grain produced according to a Code, but prices would be higher at elevator if premium markets able to be accessed

- Preference for a Code that would be referenced by the all members of the supply chain as a baseline
- Customers would still want to customize their brand, but a baseline would be of value to deal with multiple questions/requirements: this approach has worked well for Potato Sustainability Alliance for example

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Balance between robust and best practices already implemented

- Of greater value if most farmers were willing/ able to follow
- But need to balance farmer comfort with credibility; practices that are meaningful
- Must be sufficiently robust for international credibility – valuable if benchmarked against SAI.

- Looking for continual improvement, which may be gradual, and progress for a large part of the grain production.
- Set targets for a 5-to-7-year time frame, and a plan behind those targets. Targets for improvement should be ambitious

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Meaningful reporting

- **Transparency and continuous improvement paramount in meaningful reporting**
- Common path towards measurement targets; do not want to create a divide; no elite level versus the rest.
- Most indicated that utilization of aggregated performance data would be valuable, and likely sufficient

- Some informants would prefer that number of producers/ production be available to calculate a mass balance *(not immediately, but in foreseeable future)*
- Some informants indicated that an auditing approach may be needed to optimize utility in some markets; others indicated that auditing can discourage participation
- Some indicated that targets are important and reporting progress towards those targets

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Example – revised Code of Practice Introduction (example 1)

Soil Management

Soil is a crucial non-renewable resource that sustains life. Canada's grain farmers recognize that healthy soils are productive soils and have taken action to improve the health of their soils.

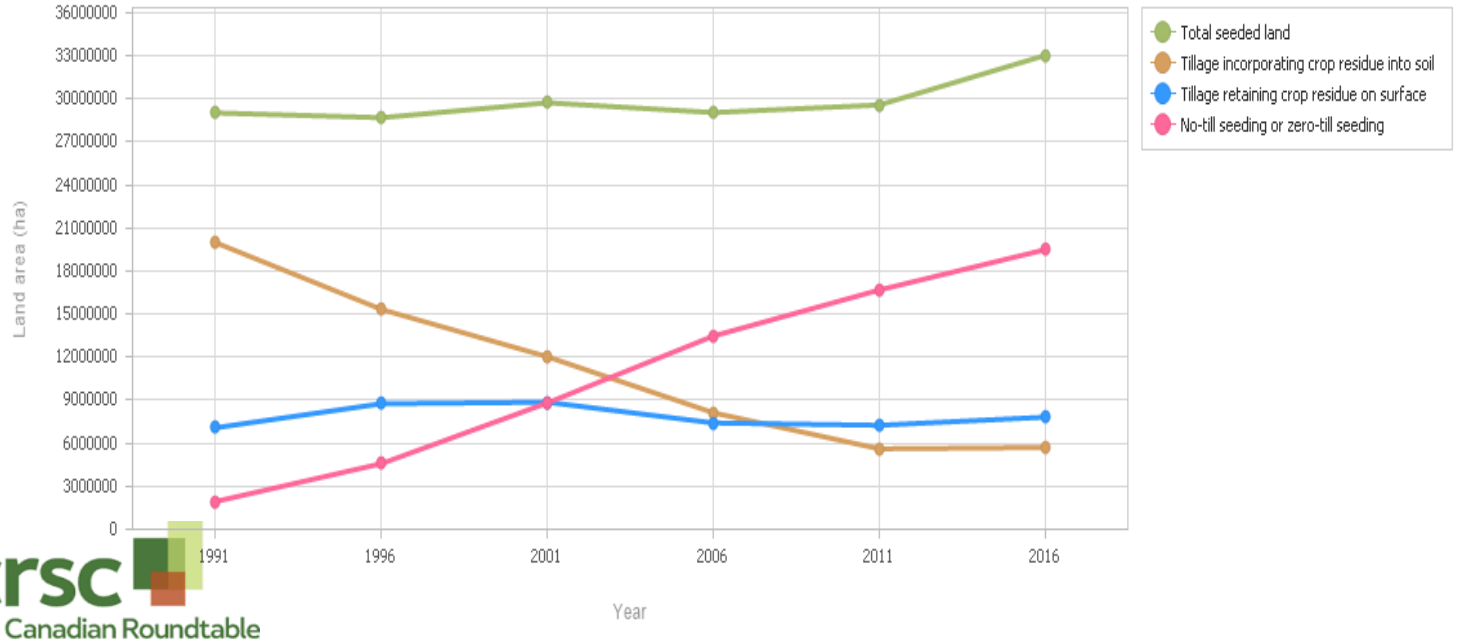
- **95%** of the soil in Canada is at a very low or low risk of erosion from wind or through tillage. That means preserving and improving the soil for future generations.
- **65%** of Canadian soils have shown a large increase in Soil Organic Carbon from 1981 to 2011. Not only is this an indicator of higher soil quality, the carbon that is now in the soil means a reduction in Greenhouse Gas emissions.
- **66%** reduction from 1981 to 2011 in particulate matter emitted by farming activities in Canada (through wind erosion and tillage (soil dust), burning, crop harvesting and grain handling). This reduction in particulate matter improves air quality.

Source: Agriculture and Agri-Food Canada (Agriculture and Agri-Food Canada 2016 Agro-environmental Indicators Report #4)

Example – revised Code of Practice Introduction (example 2)

Soil Management - Canadian grain farmers are world leaders in conservation tillage

No-till and reduced tillage is conducted using special equipment that seeds and fertilizes the crop with limited soil disturbance. In 1991, 31% of Canada's crop land was operated with reduced tillage or no-till; in 2016 , the percentage has increased to 73%.



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Example – revised Code of Practice Core Practices

Grain farmers in Canada follow these practices to maintain and enhance soil health:

1. Adopt conservation tillage w**here suited to soils, climate, crops grown and farming system.**
2. Rotate crops to manage pest pressures, economic risks, and soil and plant health.
3. Take measures to reduce the risk of erosion from wind, water and tillage.
4. Take measures to remediate severely compacted soils.
5. Burn crop residue only when no other feasible options are available and if allowed by regional regulations.

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Example – revised Code of Practice Other beneficial practices

Grain farmers also adopt many of the following management practices of excellence to maintain and enhance soil health, when suited to their climate, soil type and crops.

- Where available, apply livestock manure, compost, or other organic materials.
- Use as much diversity as possible in the cropping plan, which could include a variety of annual crops, perennial crops, cover crops, forages and/or fall planted crops.
- Protect the soil surface from water and wind erosion by planting cover crops, retaining crop residues, increasing soil organic matter and/or maintaining non-crop land in and around the farm.
- Adopt measures to limit soil compaction.

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COMMENTS AND QUESTIONS

Next steps

- No decision has been made as to whether to continue with a revised Code
- If you wish to provide additional comments, please contact

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