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Sustainability in the marketplace— Need and opportunity for action

EXECUTIVE SUMMARY



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This is an Executive Summary only—we encourage you to read the full report.

The Canadian Roundtable for Sustainable Crops (CRSC) strongly believes that modern grain production in Canada is among the most sustainable in the world. With heightened interest among customers and government on how grain is grown, there is an opportunity to strengthen the “Canada Brand” for grain farming, in Canada and around the world.

We want the same thing as all members of the Canadian agriculture industry—to showcase our successful track record with regards to sustainability and our genuine commitment to continued success and improvements in this area. And mostly, we want consumers to know how much care and love we put into our jobs—producing healthy, high-quality food to feed the world. There could be many ways to do this.

The draft Code of Practice was a sincere attempt by the CRSC to provide a tool to serve all Canadian grain farmers and help Canadian agriculture to maintain a competitive advantage. On behalf of the CRSC, we appreciate that so many farmers took the time to provide feedback on the draft Code of Practice, *Responsible Grain*.

At this time, no decision has been taken if, or how, to rewrite a Code to respond to the Responsible Grain consultation feedback.

Is it important that we demonstrate the sustainability of the Canadian agriculture industry?

During the Responsible Grain consultations, farmers asked some fundamental questions about the need (and opportunity) to show that grain farming practices in Canada are contributing to sustainability solutions. On behalf of the CRSC, we heard you and undertook additional analysis to answer your questions. The following are our key findings:

1. Canadian and global consumers are showing more interest in how food is produced and whether those production methods are contributing to managing climate change.
2. Major food brands are expected to take a leadership position in addressing climate change and other sustainability issues—by their customers, owners/ investors, lenders and employees.
3. Most food processors, retailers and food service companies have set sustainability goals, for both their internal activities and for their suppliers (which include farmer suppliers).
4. Governments in Canada see agriculture as a strong contributor to climate change solutions and other international sustainability commitments and are signaling that their policies and programs will change to help farmers meet these challenges.
5. Grain marketers and customers are being asked more questions regarding how grain is grown and see a benefit in having a “Made in Canada” solution.

The following provides more details on those findings. For the complete analysis, we encourage you to read the full report.

Canadian consumer perspective

Specifically within Canada, a major consumer concern is climate change and the impact of agriculture on the environment – this comes ahead of other concerns such as food security, food safety and animal care.

Canadian consumers trust farmers, but they do not necessarily trust all modern farming practices. The 2020 Canadian Centre for Food Integrity (CCFI) survey revealed that farmers are trusted above all other groups, such as governments, scientists and food companies. On the flip side, both CCFI and the Government of Saskatchewan public trust survey results show that consumers are not as certain about the transparency of how food is produced. And when it comes to tools that farmers use, such as modern plant breeding technology and pest control products, there is less comfort. In the 2020 CCFI consumer survey, almost 40% of respondents indicated that more regulations were needed on agriculture and food production, while 58% of those were looking for more regulations specifically on pesticides, 38% on GMOs and 29% on environmental standards.

Why does this matter to grain farmers?

We know a lack of public trust specific to industry practices can be followed by heightened government regulations or restrictions. Take for example the use of pest control products. Severe restrictions were put in place in Ontario for certain uses of neonicotinoids because of major public concern about their impact on pollinators. Another example is Quebec's recently announced target reduction for agricultural chemical pest control products, which was also driven by citizen pressure. Furthermore, some provincial and municipal jurisdictions across Canada have restricted the use of most chemical pest control products for home lawn and garden use, including glyphosate.

These regulations came about despite the fact that the safety of today's crop protection products has been extensively studied and approved by governments throughout the world (including in Canada) and that farmers have adopted many new practices to reduce any risk associated with on-farm pesticide use.

Sustainability and food service companies, restaurants and grocery retailers—does it matter to them?

Through our research, we learned that there was also a consistent desire among food companies and the food service/retailer sector in Canada to meet the growing demand from customers for food products and ingredients produced in a sustainable and environmentally friendly manner. Research further shows that these demands are affecting purchasing decisions, especially with younger generations.

Consumers don't necessarily want great detail about how food is produced; they would just like a trusted, verifiable claim that showcases that production occurred in accordance with generally accepted sustainable practices.

For our global customers, does demonstrating sustainability matter?

Canadian **grain exporters** are increasingly being asked for more information about how our grain products meet sustainability standards. Furthermore, the number of these questions are increasing rapidly and are only expected to continue to grow.

More specifically, exporters are being asked for a range of information about the sustainability of our grains, oilseeds and special crops, from general claims to specific metrics or verifications/certifications that their buyers can provide to their own customers. These questions are coming mainly from European and North American customers, including large international companies, but smaller, regional companies are also interested, as are Asian markets.

What we confirmed is that **grain customers**, particularly food processing companies, are under increasing pressure to demonstrate that they are operating sustainably.

Talking directly to Canadian and international food companies about sustainability, they stated that customer inquiries and demand for sustainability measures in food and bioproducts production are only growing. There is also increasing appetite among companies to showcase what they are doing in response, how their products meet growing consumer demand and how this can be incorporated into corporate communications and marketing around food products. Finally, there is growing demand and pressure for these measures from investors and lenders as well as shareholders.

Considering this, many food companies that buy Canadian grain have already announced, or are in the process of creating, sustainability programs. Furthermore, all of the companies surveyed have Greenhouse Gas (GHG) reduction goals in place and many also have additional environmental targets set out. Their first focus is on their internal operations, but their attention is also turning to their suppliers, i.e., farmers. Details of the sustainability expectations of food processing companies that purchase large quantities of Canadian grains are provided in the full paper.

What does this mean for grain farmers in Canada?

We can safely anticipate that major food and bioproducts companies will look very closely at the environmental performance of their farmer suppliers going forward. Some are already doing that: for example, General Mills is sourcing oats from Canadian and U.S. farmers enrolled in the Field to Market certification program.

This type of approach will only become more common going forward. This will also pressure grain companies to show consumers how Canadian farmers are performing from a sustainability perspective.

What are our competitors doing to prepare for increased interest in proving sustainable production?

There are currently a limited number of established markets for sustainable grains, but the number is growing. Some of our major competitors are preparing for an anticipated surge in demand by taking steps to position their agricultural production as sustainable.

Australia, United States, Argentina, Brazil and the United Kingdom have partial or full national sustainability programs for grains, oilseeds and special crops. Many of these programs are specific to the country, while others use international systems such as International Sustainability and Carbon Certification (ISCC) and/or the Sustainability Agriculture Initiative Platform (SAI) Farm Sustainability Assessment.

What does this mean for grain farmers?

Based on our research, it's clear that sustainability is of growing interest to world grain markets. And although there aren't strict sustainability requirements in

place right now for the majority of Canada's grain exports, the expectation is that at some point in the future, Canada will have to show that their grain is sustainably produced or be shut out of the higher-priced markets. There will also be immediate pressure from food company buyers and the government (as outlined below), as they push to meet their commitments to GHG reductions and other climate change mitigation measures. As consumer demand for demonstration of sustainable production of agriculture products grows, Canada stands to lose market advantage to competitors who are already certifying their products, especially as their programs become more accepted and recognized globally.

Government perspective

Provincial and federal governments are under increasing pressure to demonstrate sustainability and meet international commitments such as the **Paris Agreement on Climate Change/COP 26, United Nations' Sustainable Development Goals** and the **UN Convention on Biodiversity**.

In addition, individual nations or trading blocks are undertaking actions that will have an impact on how agriculture is managed within their countries but is intended to impact imports as well. Most notable among those is the European Union (EU). The EU Farm to Fork Strategy has ambitious goals, such as a 50% reduction in the use of pesticides, reduction of commercial fertilizer use by 30% and to have at least 25% of farmland produce organic products. The EU intends to integrate Farm to Fork priorities into all interactions with countries outside the EU, with expectations that countries from whom they are buying have sustainability requirements that are equivalent to those of EU farmers.

What does this mean for grain farmers?

The Government of Canada sees agriculture as a contributor to their climate change reduction targets. For example, they have announced that they are looking for a 30% reduction in GHG emissions from the use of agriculture fertilizer.

Government commitments to climate change will also impact actions of provincial governments. In November 2021, Federal-Provincial-Territorial Ministers of Agriculture released the Guelph Statement, the blueprint for the next agriculture policy framework, the government funding initiative for agriculture that is scheduled to run from 2023 to 2028. The emphasis in the Guelph Statement is on public trust and sustainability, and this emphasis is much stronger than in previous framework agreements. We expect that more of the available research funding will be allocated to projects that examine options to reduce the impact of farming on the environment and enable farmers to better adapt to climate change. There may be some adjustments in direct farmer support for certain sustainable practices.

SECTION 2

How could a Code make the case that Canadian grain production is sustainable?

Canadian grain farmers **are** sustainable. CRSC analysis indicates that most Canadian grain farmers are already implementing the types of best practices for sustainable farming that customers in Canada and around the world are looking for. **Canada has a great story to tell and an opportunity to be proactive.**

Based on our recent research, we are not telling our story as well as we could, and will likely need to in the future. What is lacking is an approach that crosses all grain crops and regions in Canada to measure farmer efforts and results and communicate these to consumers and grain customers. Current measurements of Canada's agricultural industry's sustainability vary according to who is doing the reporting and the reporting requirements and measurements. This can lead to inaccurate, negative and inconsistent reports on behalf of our industry.

There could be several solutions to assist the industry in showing that Canadian grain farmers are sustainable. A Code of Practice was proposed by the CRSC as a sincere effort to provide an additional tool to serve all Canadian grain farmers and to help Canadian agriculture maintain a competitive advantage globally. **But a Code of Practice is only one among many tools.** The full version of the paper provided additional information on how a Code of Practice might respond to the challenges and opportunities of showing how Canadian grain is sustainably produced, from the perspectives of customers, grain exporters, public trust, government and CRSC.

Next Steps

The draft Code, Responsible Grain, was an attempt to develop a tool to serve Canadian farmers and to help Canadian agriculture maintain a competitive advantage globally. However, farmers told us that we missed the mark with the draft, both in the tone and what was proposed as practices.

The CRSC has been committed to complete transparency and partnership with the Canadian agriculture industry. In light of this, the purpose of this report is to address concerns and questions that arose during our industry consultations and to showcase all the information that the CRSC has to date, which has guided our thought process and plans for next steps.

At this time, no decision has been taken on if, or how, to rewrite a Code to respond to the Responsible Grain consultation feedback. We are also taking seriously other issues that farmers raised in the consultations, including how we communicated about the Code, and how the draft Code was developed. We will examine these thoroughly after we have had an opportunity to discuss this document during the sessions for grain commodity associations later this month.