

JANUARY 2022

Sustainability in the marketplace— Need and opportunity for action



Message from the CRSC Chair

On behalf of the Canadian Roundtable for Sustainable Crops (CRSC), we appreciate that so many farmers took the time to provide feedback on the draft Code of Practice, *Responsible Grain*.

During those consultations, farmers asked some fundamental questions about the need for a tool like a Code, including:

- Are “public trust” and “market advantage” really issues for grain farmers?
- How could a Code help improve public trust?
- How would a Code fit in with existing industry activities in public trust?
How could a Code help maintain markets?
- How many markets are we talking about?
- There are already programs for premium markets that farmers can enroll in if they want—how would a Code fit in?
- How would a Code work or be implemented for farmers?

On behalf of the CRSC, we heard you.

In response, we drew on existing analysis we had done throughout the creation of the draft, and also undertook further analysis in order to answer the questions above. This report is an overview of our findings.

Our committee wants 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 we put into our job—producing healthy, high-quality food to feed the world.

At this time, no decision has been taken on if, or how, to rewrite a Code to respond to the Responsible Grain consultation feedback. Those decisions will be explored after we have had a chance to talk with you.

Jason Lenz
Farmer & Chair, CRSC

SECTION 1

Opportunities and risks of demonstrating sustainability

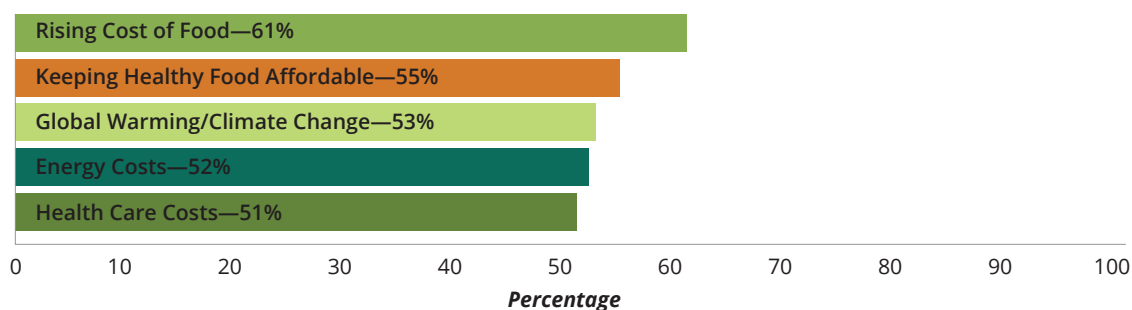
Is it important that we demonstrate the sustainability of the Canadian agriculture industry?

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.

The Canadian Centre for Food Integrity (CCFI) conducts an annual national survey gauging what consumers think about how our food is produced. As in past years, when given a list of life issues, Canadians were most concerned about the rising cost of food in Canada followed by keeping healthy food affordable. In 2021, respondents indicated that global warming/climate change and energy costs are of increasing concern.

Consumers' Top 5 food related concerns (2021)



Canadian consumers trust farmers, but they do not necessarily trust all modern farming practices. The vast majority of Canadians have high trust in farmers, and farmers have the highest trust of all food stakeholders. The 2020 CCFI survey reported that 43% of Canadians surveyed have a high level of trust in farmers, 54% are neutral and only 3% have a low trust. Farmers are trusted above all other groups, such as government, scientists and food companies.

On the flip side, both CCFI and government of Saskatchewan results show that consumers are not as certain about the transparency of how food is produced. This sentiment was confirmed in a Government of Saskatchewan 2020 Public Trust survey, which reported that only 54% of respondents trusted the agriculture sector's transparency around farming practices (despite 73% of the same respondents reporting a high level of confidence that ranchers and farmers take care of the environment.)

When it came 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, while 58% were looking for more regulations on pesticides, 38% on GMOs and 29% on environmental standards.

But there are regional differences. According to a CropLife Canada survey in 2021, 62% of respondents from Quebec indicated they believed pesticides were not very, or not at all safe, and 42% of respondents from Saskatchewan/Manitoba reported the same.

Grains Public Trust Strategy

In order to get a firm, data-driven grasp on the state of public trust in North America, the Grains Roundtable (GRT) commissioned a report in 2019. (The GRT, which was comprised of grain farmer associations from across Canada, grain traders, federal and provincial governments and other stakeholders, was in operation from 2008 to 2020.) The report specifically looked at public trust issues related to food production and agriculture among three audiences: Canadian consumers, export consumers and foreign governments. It also outlined associated risks for our industry as well as suggestions for how the Canadian grains industry could come together to address these issues.

The key takeaways from the report, which drew on existing consultations, market research studies and interviews with Canadian industry experts, was that public trust issues are prevalent within the three target audiences, specifically in relation to four key areas:

Food healthiness and food safety

- Crop protection product use
- Plant breeding technology
- Nutrition misinformation and food fads

Impact on the environment

- Nutrient management and water quality
- Crop protection product use
- Land use and biodiversity
- Soil health
- Greenhouse gas emission and air quality
- Waste and pollution

Labour and human rights

- Working conditions/worker health and safety

Business ethics

- Corporate farming (business size)
- Corporate involvement

To help quantify the risks associated with a lack of public trust related to agriculture, the GRT report also outlined the potential for economic impact to our industry. See graph on the following page.

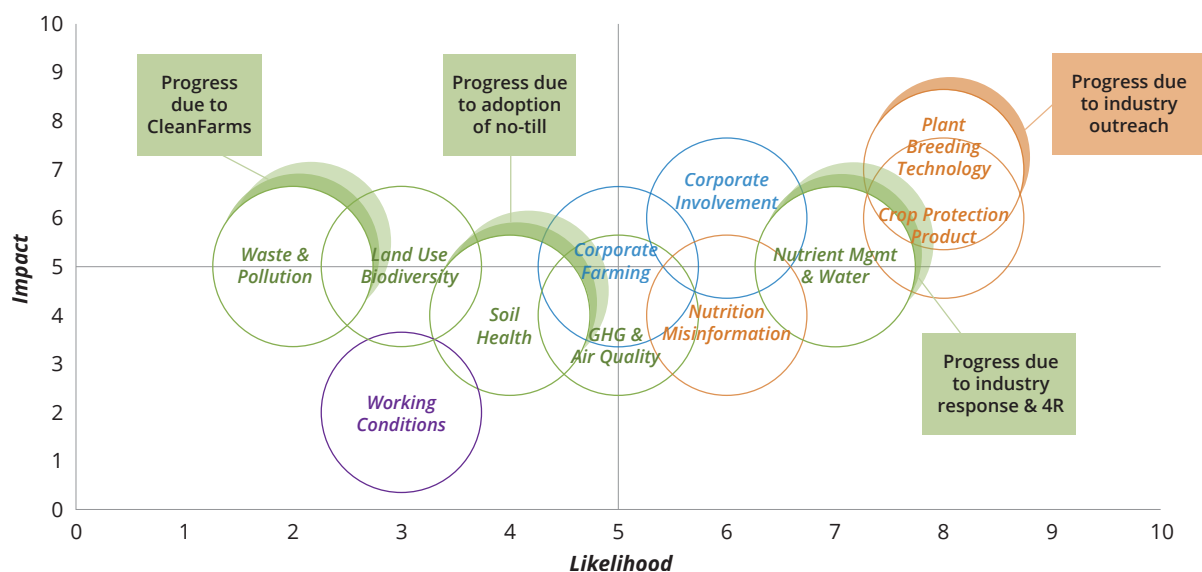


Figure 2: Canadian Grains sector Public Trust Issues Map

Impact: The potential economic cost to the sector if a loss of public trust occurs (1 = Low economic impact, 10 = High economic impact)

Likelihood: The probability of a loss of public trust occurring. (1 = Low probability, 10 = High probability)

Why does this matter to grain farmers?

The most relevant question for our industry is, why does this matter?

“Maintaining the public’s trust is key. It allows farmers 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.”

—SASKATCHEWAN PUBLIC TRUST STRATEGY 2019

We know a lack of public trust specific to industry practices is often followed by heightened government regulations and/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, many jurisdictions across Canada, mainly cities, have banned the use of chemical pest control products for home lawn and garden use.

Even though these examples are specific to a province or city, many food company and government responses to public trust issues can impact the entire country, not just the province in which the pressure is being felt. Historically in Canada, governments will impose additional or stricter regulations in the absence of public trust, if the public opinion is strong enough.

Public trust issues in other countries can also impact the Canadian market. Take for example current European Union regulations governing the use of pest control products. These came in response to strong consumer demand for change, which was in turn driven by strong anti-pesticide messaging pushed by NGOs, as well as sensational news coverage of chemical residues found in food products and lawsuits linking chemical residues to human health.

These regulations came about despite the significant amount of sound information available about the critical role crop protection products play in modern agriculture. They also 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.

“Governments across Canada have implemented regulation reduction strategies, and it is governments’ preference for industry to manage public trust issues so as to avoid pressure for additional regulations.”

—JOHN JAMIESON, CEO, CCFI

Furthermore, history has proven that public opinion can severely impact market demand for products. For example, one of the main reasons that uptake of plant-based products has grown exponentially in North America in the last decade is that some consumers are replacing meat with plant-based products to reduce their environmental footprint (as indicated in the CCFI Public Trust survey).

Sustainability and food service companies, restaurants and grocery retailers—does it matter to them and what are they doing about it?

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. For example, as mentioned above, there is a growing demand for plant-based meat alternative products, particularly among consumers who believe these products are more environmentally friendly. It's also important to note that, based on research, consumers don't necessarily want to know 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.

Some examples of sustainability targets/programs by these types of companies:

Federated Co-op has an internal sustainability committee that is setting its own goals for the company. It also launched a “Grown with Purpose” program in 2019 that works with farmers to make their operations as sustainable as possible, without compromising economic gains.

Aramark Canada, which supplies prepared food to institutions such as universities, care homes and company cafeterias are being asked to demonstrate that they source sustainably produced ingredients. They follow a company environmental sustainability platform, focused on responsible purchasing, efficient operations, waste minimizations and fleet management.

“We’re focused on the equity and wellbeing of our employees and consumers, the people in the communities where we live and work, as well as the people in our supply chain. We also focus on the wellbeing of our planet by minimizing environmental impact across all of our operations, from the foods we serve to the facilities we manage.”

—MICHAEL YARAMOWSKY, ARAMARK

Loblaws is a member of the **One Planet Business for Biodiversity** (OP2B), a business coalition with the overall goal of increasing regenerative agricultural practices, designing products to improve diets and diversity, and maintaining, restoring and protecting natural ecosystems.

McDonald’s has made a commitment to GHG emission reductions related to their restaurants and offices by 36% by 2030 from a 2015 base year, as well as a 31% reduction in emissions intensity (per metric ton of food and packaging) across our supply chain.

For our global customers, does demonstrating sustainability matter?

Our background research included polling Canadian exporters and industry associations that serve international customers, chiefly global companies and importers that use Canadian grain products as food products and ingredients, and/or to produce biofuels, bio-products and animal feed. (Our interviewees included staff from Viterra, G3, Paterson Global, Cargill, Canola Council of Canada, Grain Farmers of Ontario, Cereals Canada, Combyne Ag and more.)

Through this research, we heard a similar theme: 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 customers 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.

There is also an opportunity to provide our global customers with science-based information on our sustainability performance. Current measurements of Canada's ag industry's sustainability vary according to who is doing the reporting and the reporting requirements and measurements. Not all are favourable. This can lead to inaccurate, negative and inconsistent reports on behalf of our industry.

What we confirmed through our background research is that grain buyers, including food processing companies, are under increasing pressure to demonstrate that they are acting sustainably. Major international brands are increasingly expected by their customers and stakeholders to take a leadership position in reducing GHG emissions and addressing other sustainability issues.

Furthermore, there are financial incentives—as well as mandates—in place around corporate sustainability. More and more investors are looking at the environmental, social and governance (ESG) records of companies before investing. Some investment companies and lenders are taking a position in other ways, for example by joining the Glasgow Financial Alliance for Net Zero, an alliance of more than 160 firms globally (worth \$70 trillion collectively) that is committed to meeting net-zero emissions by 2050. There are also increasing numbers of investment funds targeting sustainable and socially responsible companies.

Given consumer interest in sustainability, many companies are finding it advantageous to integrate commitments on sustainability into their company brands and marketing. In fact, it's rare to find a North American food company nowadays that does not incorporate sustainability messaging or programming into its operations. It's also noteworthy that while we are mostly seeing this trend in international companies that are based in North America and Europe, recent indications show Asian companies are not far behind.

An important part of our background research involved talking directly to Canadian food companies to determine their current needs in relation to sustainability requirements from consumers and what they are doing to address these issues. We interviewed representatives from some of the global food companies that purchase Canadian grain products : Maple Leaf Foods, PepsiCo, Warburtons, Cavendish Farms, Land O'Lakes and Greenfield Global.

What we heard throughout all these interviews was further confirmation 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 corporate stakeholders.

Considering this, many food companies that buy Canadian grain have already issued, or are in the process of creating, sustainability programs. Furthermore, all of the companies surveyed have GHG reduction goals already in place and many also have additional targets set out.

What actions are these companies taking?

Most companies have signed on to the Science-Based Targets Initiative (SBTI), a consortium of agencies that allows businesses to set science-based greenhouse gas emissions reduction targets to help them meet goals and measure progress.

There are three sources of emissions for which they set targets: Scope 1: company operations, such as the running of the processing plant; Scope 2: purchased or acquired electricity; and Scope 3: indirect emissions from such items as purchased goods and services, transportation and distribution.

Approximately 1,000 companies globally are part of the program, including many food companies that purchase Canadian crops such as Maple Leaf Foods, General Mills, PepsiCo, Cargill, Mondelez, Coca-Cola, and Kellogg. As such, these companies will need to set goals within Scope 3 activities. Many of these companies have indicated that most of their Scope 3 emissions are from agriculture production, so they will not be able to reach targets without working with farmers to minimize GHG emissions.

Some companies require that their farmer suppliers follow existing certification programs such as Farm Sustainability Assessment (FSA) by SAI Platform, the International Sustainability and Carbon Certification (ISCC), and the Field to Market Program used by some companies in the U.S. and Canada. Others have developed their own custom, internal programs. Some examples:

CARGILL is launching a program in the U.S. in 2022 which will use soil sampling, farm data and remote sensing tools to determine the sustainability of farms and pay farmers for carbon sequestered through their operations.

CAVENDISH FARMS is a member of the Potato Sustainability Alliance, a program designed and managed by the potato industry supply chain to benchmark and communicate the sustainability performance of potato production.

BUNGE CANADA has an internal sustainability program which supports the UN's SDGs and encompasses action on climate, responsible supply chains and leadership in accountability.

MAPLE LEAF has an internal plan driving a goal to be the most sustainable protein company on Earth through better products, ethical animal treatment, environmental footprint reduction and community development.

VITERRA reports its own sustainability efforts each year according to Global Reporting Initiative (GRI) standards, the most widely used reporting tool for sustainability reporting.

What does this mean for grain farmers in Canada?

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

Within this program, the onus is on the supplier (the grain company) to prove to their purchasers (food companies, crushers and flour mills, for example) that the grain they are selling will help these companies reach their sustainability goals. 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. Currently, some of these food companies have pilot programs already in place to meet these goals.

Some examples of companies that purchase significant quantities of Canadian grains and oilseeds/products and have made specific sustainability commitments are:

GENERAL MILLS

- Brands include Pillsbury, Nature Valley, Betty Crocker
- **2030 goal:** Reduce absolute GHG emissions across our full value chain by 30%.
- **2050 goal:** Reduce absolute GHG emissions across our full value chain to sustainable levels in line with scientific consensus.
- **Our goal:** Advance regenerative agriculture on one million acres of farmland by 2030 – estimated to be more than 20% of our North American sourcing footprint.

PEPSICO

- Brands include Quaker Oats, Lay's, Tostitos
- **2030 goal:** Spread regenerative practices that restore the earth across seven million acres of land—an area approximately equal to our entire agricultural footprint; Sustainably source 100% of key crops and ingredients, not only direct-sourced crops like potatoes and oats, but also key crops from third parties such as vegetable oils and grains.
- **Ongoing:** Continue to expand a global network of demonstration farms, with more than 350 farms as of 2020, to help farmers adopt these practices.

MONDELEZ INTERNATIONAL

- Brands include Honey Maid, Oreo, Ritz, Wheat Thins
- **Ongoing:** Continue to work with suppliers to improve environmental performance by setting and then working toward quantifiable goals that reduce environmental impact.

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MCCAIN FOODS

- Brands include McCain, plus other international potato brands; large users of vegetable oils
- **2030 goals:** Implement regenerative agriculture practices across 100% of potato acres; reduce 30% in emission intensity
- **2025 goal:** Remove palm oil from frying operations of McCain branded product

MAPLE LEAF FOODS

- Brands include Plant-based Field Roast Meat and Cheese Co. (while all other brands are meat protein, they own a considerable number of hog farms and source grain and grain products for feed)
- **2025 goal:** Reduce our environmental footprint by 50%
- **Ongoing:** Execute our science-based targets (SBTs): 30% absolute reduction for Scope 1 & 2 emissions and 30% intensity reduction (per 1,000 kg. of product produced) for Scope 3 emissions (2018 baseline)

UNILEVER

- Brands include Hellmann's, Breyer's ice cream
- **Ongoing:** Eliminate deforestation in our palm oil, paper and board, tea, soy and cocoa supply chains; Protect and regenerate land, forests and oceans; Increase transparency, using technology and introducing leading edge regenerative farming practices to tackle the ecological emergency

WARBURTON'S

- Strong market in the United Kingdom; uses Canadian wheat to blend with United Kingdom (U.K.) wheat
- **Ongoing:** Focus on maintaining healthy soil and water, supporting biodiversity, understanding our farmers' carbon footprint and engaging them in community investment; Working with our farmers to bring the countryside to life for young people.

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

There is growing concern amongst exporters that competing countries are gaining an advantage in the higher-paying markets because they already have sustainability programs in place. Grain companies in Canada are actively looking for an industry-accepted, science-based tool that highlights the sustainable practices that farmers are following.

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. They are also likely under the same type of government pressure to reduce GHG emissions as we are.

Programs already in place:

Graincare Australia

Supported by the Grains Research and Development Corporation, this is a voluntary, auditable Code covering practices that impact quality assurance of grain. Developed by grain farm organizations, Graincare does not specify practices to be followed but rather serves as a management system that aims to assure food safety and quality while also identifying risks.

Sustainable Grain Australia

Established by the Australian Oilseeds Federation to allow farmers to produce certified oilseeds, this program is voluntary and uses the ISCC certification system (as the EU has required ISCC certification for all biofuels since 2009). Sustainable Grain Australia also currently has a similar system in place for barley and is looking to expand certification to cover all cereals, oilseeds and pulses. Certification under this system is voluntary. Farmers who enroll in this program are subject to audit.

U.S. Soy Sustainability Assurance Protocol

Developed and managed on behalf of the United States' soybean industry, farmers within the voluntary program must follow specific practices (although optional best management practices are also provided in the protocol. The Protocol also features a report on the sustainability performance of the country, similar to the CRSC Grains Sustainability Metrics Platform. One of the main reasons the Protocol was developed was to serve the EU feed industry, for which it is currently accepted, but now it is also being used to gain preferred position in Asian markets.

RoundTable for Responsible Soy certification (RTRS)

This program serves several countries in South America, such as Argentina, Paraguay and Brazil, as well as India, and was developed in response to concerns about the degradation of forests across the continent in relation to the grains and oilseeds industry, especially soy. Now, the RTRS certification is recognized as compliant with the EU feed industry soy sourcing guidelines and developers are working on a similar certification system for corn. A pilot project to assess whether the RTRS approach is suitable for Canada was conducted in Ontario, but as the system was found not to be applicable to soybean farmers in Canada.

GLOBAL/COMMODITY PROGRAMS

There are several sustainability certification systems in place that are available to farmers in most countries. They generally specify practices that farmers must follow, related to fertilizer and pest control products, soil health, water quality and use and biodiversity. A few others look for specific outcomes but are flexible on practices. Most programs also prohibit farming on lands that are considered protected, are of high conservation value or are classified as forested, native grassland or wetlands. Most programs also include criteria for the ethical treatment of the workforce and/or farm health and safety.

Roundtable for Sustainable Palm Oil (RSPO) Established in 2007, this certification system was formed by farmers, buyers, customers and other stakeholders and adopted by many of the large international food companies. However, a significant number of companies and regions have recently boycotted the palm oil industry due to environmental concerns, as currently less than 20% of world production of palm oil has been certified as sustainable.

International Sustainability and Carbon Certification (ISCC) One of the world's largest certification systems, ISCC certifies more than 5,000 operations in over 100 countries, covering the agriculture and forestry industries, among others. The European Union only purchases biofuels that are ISCC certified, including Canadian canola. To be certified by ISCC, farmers must sign a declaration regarding certain farming practices and agree to an on-farm audit, if required.

Farm Sustainability Assessment—SAI Platform Launched in 2002, this system allows farmers to assess their practices against sustainability criteria, but also permits sustainability schemes to benchmark their systems against the SAI criteria. Farm ratings are then used by some companies in their procurement, allowing them to purchase “sustainable” products from different suppliers that may have a variety of sustainability systems.

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 industry consensus is that there will be at some point in the future, potentially shutting Canada out of the higher-priced markets. There will also be immediate pressure from food company buyers and the government, as they push to meet their commitments to GHG reductions and other climate change mitigation measures.

The fact that several of our competing agricultural-producing countries have already established their own sustainability assurance programs is concerning. As consumer demand for sustainably produced 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.

1. International commitments on sustainability

The Canadian government is continually facing increasing amounts of pressure to make and meet sustainability goals, from sources such as the United Nation's (UN) Sustainable Development Goals program, the UN's 2021 Food Systems Summit, the Paris Agreement on climate change and the UN Convention on Biodiversity.

As part of our research, we interviewed several senior officials with the Government of Canada. Through these interviews, the sentiment was that the international movements towards sustainability will only increase in years to come, as will consumer demand in Canada for food that they believe is sustainably produced.

PARIS AGREEMENT ON CLIMATE CHANGE/COP 26

The Paris Agreement to the United Nations Framework Convention on Climate Change (UNFCCC) is a legally binding multilateral environmental agreement, ratified by Canada in 2016. Canada has committed to reduce greenhouse gas emissions by 30% below 2005 levels by 2030.

The Canadian government wants to position agriculture as part of the solution to achieving GHG reduction goals. At the same time, governments see agriculture and food as an economic driver, with focus on international market performance. They see a link between market performance and ability to articulate the sustainability of Canadian agriculture and are looking to assist industry to make their case, both domestically and internationally.

We also heard a general expectation that government focus on climate change reduction will not decrease but may increase. The Government of Canada has recently signaled that it is looking for a 30% reduction in GHG emissions from farm fertilizer use, in line with the 30% GHG emission reduction for Canada as a whole, and wants to work with industry to see how this could happen.

Continued...

UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS

In 2015, the UN adopted an Agenda for Sustainable Development, an ambitious plan to end poverty, protect the planet and ensure peace and prosperity for all global citizens by 2030. To meet these goals, the UN launched 17 Sustainable Development Goals (SDGs), a set of concrete actions for each of its partners and stakeholders to meet shared goals. The SDGs are much broader than emissions reductions and cover environment, climate, economy, food and responsible consumption. In response to this, Canada launched its "Moving Forward Together" plan, which outlines how Canada aims to meet the SDGs.

UNITED NATIONS FOOD SYSTEMS SUMMIT

In 2021, the United Nations held its Food Systems Summit, which brought together the global food industry to set shared goals and plans to transform global food production systems and consumption to meet relevant SDGs. The event launched five action tracks:

- Ensure access to safe and nutritious food for all
- Shift to sustainable consumption patterns
- Boost nature-positive production
- Advance equitable livelihoods
- Build resilience to vulnerabilities, shocks and stress

UN CONVENTION ON BIODIVERSITY

In 1993, this international, legally binding treaty was put into effect, focusing on three objectives: conserving biodiversity; sustainably using resources and fairly sharing and distributing benefits of genetic resources globally.

2. The European Union Farm to Fork Strategy

In the previous section, we have outlined how actions of individual companies might influence their purchases of farmed products. But there are also pressures arising from the actions of foreign governments that can impact the relative position of Canadian grain and oilseeds in the world marketplace. Most notable among those countries is the European Union.

The European Union Farm to Fork Strategy, which was ratified by the EU Parliament in November 2021, outlines the following targets for their farmers:

- a reduction by 50% of the use and risk of chemical and hazardous pesticides;
- a reduction of nutrient losses by at least 50% while ensuring that there is no deterioration in soil fertility. This will reduce the use of fertilizers by at least 30% by 2030;
- a reduction by 50% of the sales of antimicrobials for farmed animals and in aquaculture by 2030; and
- to grow organic produce on 25% of total EU agricultural land by 2030.

The EU intends to integrate Farm to Fork priorities into all interactions with third countries, bilaterally and multilaterally. One option they have been floating is a Border Carbon Adjustment, that is, a tax on imports from countries that have not taken the same measures as the EU countries have had to implement. Preliminary analysis by the U.S. Department of Agriculture shows that Canadian farmers (as well as farmers in the U.S and Australia) will not likely adopt the measures that the EU is promoting, given the impact on farm productivity. However, Canada could then be at a disadvantage if the EU does not accept that our farming system is sustainable. The Government of Canada is working with the agriculture sector on a very active advocacy strategy to educate the EU and its member countries on the farming system in Canada, to try to ensure that, although different than the EU in some practices, our practices have similar sustainability goals and results. Showing that our farmers use sustainable practices is an important part of that advocacy. As the EU is pushing to have other countries adopt similar measures to the Farm to Fork targets, there is concern that this will lead to other countries erecting trade barriers based on how farms operate.

3. The 2023-2028 Federal-Provincial-Territorial (FPT) Agricultural Policy Framework

Canadian governments want to position agriculture as part of the solution when it comes to GHG reductions, while also supporting our industry as a major driver and contributor to Canada's economy. These goals will have a real and significant impact on how FPT programs and policies are working to support farmers.

In November 2021, FPT Ministers of Agriculture released the Guelph Statement. This document is the blueprint for the next agriculture policy framework, scheduled to run from 2023 to 2028. This policy framework governs how funding is shared between federal and provincial governments for agriculture purposes, what the funding can be used for and the priorities for programming for farmers. The Guelph Statement was agreed to and signed by the Government of Canada and all provincial and territorial governments.

The emphasis in the Guelph Statement is on public trust and sustainability, and this emphasis is much stronger than in previous framework agreements. Therefore, it is expected to impact all of the programs that are offered under the framework, including Business Risk Management Programs. For example, more of the research funding will likely be on reducing the impact of farming on the environment and enabling farmers to better adapt to climate change impacts. There may be some adjustments in direct farmer support for certain sustainable practices. How this will work will not be known until closer to April 2023, when the new framework replaces the one expiring in March 2023.

[See the full Guelph Statement.](#)

SECTION 2

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

Why is the CRSC proposing a Code to help the grain industry in Canada respond to sustainability pressures?

The Code project was conceived from a genuine desire to help safeguard the Canadian agriculture industry and to arm it with another tool to stay competitive.

A CODE WAS SELECTED AS A PREFERRED TOOL BECAUSE:

- It would be an opportunity to highlight all the sustainable practices that Canadian grain farmers have adopted
- It would show how Canadian grain farmers are leaders in terms of sustainability
- It would permit Canadian grain farmers to define sustainability according to science
- It would balance sustainability goals with costs and revenues, so that all practices identified would be reasonable from a farmer perspective
- It would be flexible enough to include all cereals, oilseeds and special crops, and could cover the full country, thereby providing a consistent, comprehensive message
- It could complement other actions in Canada aiming to improve public trust and market advantage
- It would include practices that Canadian farmers are already following for the most part
- It would be voluntary and easy for participants to use and adopt

More background on the origin of the idea of a Code is presented at the end of this section.

What do other stakeholders think of the Code?

In the previous section, we reported on what food companies, retailers, grain buyers and governments told us about the opportunities and pressures they are facing regarding sustainability. But we also asked them, and others, what they thought about a Code as an instrument to help. If they expressed that there would be some value to them, we asked them how they thought it could work.

The following is what they said:

The North American market

There are already several industry initiatives in place to enhance consumer trust in agriculture (for example, from highly respected organizations such as Farm and Food Care and campaigns such as Real Farm Lives and The Real Dirt on Farming). These projects focus on enhancing public understanding of the industry and subsequently trust in farmers.

Our research uncovered a strong support among North American food companies and the food service/retailer industry for an additional tool that would allow them to easily respond to specific questions on how grain is produced in Canada and help farmers tell their story. Because of their reach with consumers, these companies believe that they could add value for farmers by sharing the story of agriculture.

We also learned that the food service/retailer companies we spoke with had had positive experiences with the Farm Animal Care codes, which allowed them to show that general guidelines for sustainability are in place, and being followed, when it comes to food production.

They expressed that a Code would be most valuable to them if:

- It is flexible enough to incorporate new and developing consumer concerns
- The practices specified were already commonly used by most farmers to avoid creating division within the industry
- The Code should be a tool used to demonstrate how grain farmers care about land, air, water and wildlife
- It should encourage a commitment to continuous improvement (i.e., by setting longer-term targets and plans to meet these goals)

Grain exporters

The exporters we spoke with indicated that a Code would be a welcome tool to help them respond to questions and concerns that their customers are raising, although they do caution that it would not solve all market access issues.

Exporters identified that a Code could be useful because it would permit them to answer more of the questions that buyers are asking. In fact, some wheat marketers had already discussed the idea of a Code for Canadian grain production and their customers are very interested. We also heard a consistent belief among exporters that if our industry does not proceed with taking collective, preventative action on this issue, standards will eventually be imposed by outside bodies and/or through regulations. A Code would help as it is more closely aligned with what competitors are implementing.

We heard that a Code would be useful to help exporters provide consistent, evidence-based general information about Canadian grain production and to showcase our industry's commitment to sustainability and long-term improvements. Exporters also support the idea of an industry driven Code, which would allow us to tell our own story through scientifically backed metrics and reporting, rather than rely on systems and messaging created by outsiders.

Farmers asked if there would be premiums attached to delivering grain that had been produced following a Code. What grain companies said is that it is likely that any premiums would require a certification, audited process such as being offered for canola into the EU biofuels markets, or through the Field to Market pilot projects. Grain buyers do not see a voluntary Code as leveraging a specific premium at the elevator. However, buyers stressed that if Canada can preserve and expand the higher-priced markets, it will show through higher prices at the elevator. If Canada

cannot maintain market advantage, the overall price to grain farmers will drop.

Exporters suggested that to be most effective, a Code should:

- Be easy for farmers and buyers to use (maybe integrated with the producer declaration at the elevator for farmers who want to show that they follow a Code)
- Be based on scientifically proven best practices and metrics
- Showcase the good practices that farmers are already following
- Allow flexibility in practices but robust enough to address customer concerns
- Focus on the specific areas of concern for consumers and global markets
- Be a baseline on to which specific customer requirements could be added.

Government perspective

Our interviews revealed that a tool such as the Code would be valuable in helping Canada show its contributions to meeting climate change goals (i.e., in greenhouse gas emissions and biodiversity protection) at a time when demand for such metrics is rising. They also thought a Code might be helpful in outlining the practices that would lead to GHG reduction at the farm level and that many grain farmers are adopting those practices.

Furthermore, government interviewees reported that having this type of information available to consumers would be useful in protecting against and avoiding an increase in regulatory burden. They are also interested to see if a Code would be helpful in working with foreign governments to drive better understanding of how modern farming practices drive sustainability for future generations and contributes to climate change solutions.

Background of the selection of a Code of Practice

The following is additional background on how the Code was conceived as a preferred tool to demonstrate the sustainable practices of grain farmers to help with public trust and market advantage.

The Grains Roundtable, which included grain farmer representatives, grain exporters, input suppliers and provincial and federal government representatives, determined that public trust was an important issue for them to explore, and undertook to develop a public trust strategy that would lead to action. In 2019, a GRT subcommittee, consisting of grain farmer members specifically tasked with looking at public trust issues, commissioned a public trust report as well as a full strategy for improving public trust.

The report painted a picture of the public trust landscape, based on information taken from existing consulting reports, market research studies and interviews with Canadian industry experts. It showed how public trust has been compromised or is at risk in relation to four key areas: food healthiness and food safety; the impact of agriculture and food production on the environment; labour/human rights within

our sector; and business ethics. It also showed the potential economic risks linked to each area of public trust and proposed an action plan to address the issues outlined, to avoid consumer demand negatively affecting farmers and/or increased regulation around food production in Canada.

The first step within this action plan was the development of a voluntary Code, to serve as an industry-accepted, scientifically based tool designed to build trust with Canadian consumers, Canadian grain export customers and governments in export markets.

A preliminary analysis indicated that most grain farmers are already implementing the types of best practices that help in developing and maintaining public trust/market advantage around the sustainability of food production. What was lacking is a trusted and official tool to measure farmer efforts and results and communicate these to consumers. Therefore, they proposed a voluntary Code to fill that need. It would also serve as a guideline for Canadian grain farmers around best practices and programs.

In proposing the Code, the GRT drew extensively on the experience of the Canadian livestock producers, who have codes in place for each of its species, outlining guidelines for the care and handling of farm animals. These codes are science- and consensus-based, take into consideration the impact on farm costs and are regularly updated based on need and new information. They have been useful in Canada and in exports markets as a “first line of defense” when questions arise regarding animal care practices. The National Farm Animal Care Council has over that period implemented proven processes to develop science-based practices while considering the financial impacts on farmers.

The GRT proposed that a Code be a voluntary, science-based tool to demonstrate how Canadian farmers address the current environmental concerns of consumers: preserve land, air and water; manage nutrients, pests and pesticides; and follow best practices related to soil and water management. It would also cover aspects of health and well-being.

The Canadian Roundtable for Sustainable Crops agreed to undertake the development of the Code.

THE CANADIAN ROUNDTABLE FOR SUSTAINABLE CROPS

In 2013, farm organizations and grain companies from the Canadian grains supply chain came together to address an increasingly important issue for our industry: how to advance, report on and communicate the sustainability of Canadian grain production.

As a result, the Canadian Roundtable for Sustainable Crops (CRSC) was formed, around the central idea that the Canadian grains sector should be recognized globally as economically viable, socially responsible and a leader in the adoption of environmentally sustainable production practices.

CRSC MEMBERS

Agricultural Producers Association of Saskatchewan	Animal Nutrition Association of Canada	Canadian Seed Growers' Association	Farm Credit Canada Fertilizer Canada	Producteurs de Grains du Québec Pulse Canada	Soil Conservation Council of Canada Sollio Agriculture
Agricultural Research and Extension Council of Alberta	Archer Daniels Midland BASF	Canola Council of Canada Cargill Ltd.	Flax Council of Canada Grain Farmers of Ontario	Richardson International Saskatchewan Flax Development Commission	Soy Canada Syngenta
Alberta Barley Commission	Bayer Canada Bunge	Cereals Canada Combyne Ag	Grain Growers of Canada	Saskatchewan Wheat Development Commission	Viterra Warburtons
Alberta Canola Producers Association	Canadian Canola Growers Association	Control Union Certifications CropLife Canada	Greenfield Global Manitoba Crop Alliance Maple Leaf Foods	Seeds Canada SGS Canada Inc.	Western Grains Research Foundation
Alberta Wheat Commission	Canadian Federation of Agriculture	Ducks Unlimited Canada	McDonald's Restaurants of Canada		
Alltech Crop Science					

“We do not have to re-invent the wheel to move forward in a proactive and concrete manner. Animal agriculture has long been under pressure to demonstrate good animal welfare and sustainability practices. These industries have responded with the development of Codes of Practice that help define the right (and wrong) way to raise animals in Canada. These voluntary codes provide ranchers and farmers with the tools needed to demonstrate good practices and the ability to defend themselves with scientific backing when agricultural practices are challenged.”

—CAM DAHL, CHAIR, CRSC 2018 TO 2021

When the CRSC accepted the role of developing a draft Code, it immediately stated that a Code should work FOR Canadian grain farmers, not against, and to their advantage.

More specifically, the committee mandated that a Code would:

- Be voluntary
- Start with demonstrating the beneficial practices that farmers are already doing; provide an opportunity to highlight what is right about grain production in Canada
- Be easy for farmers to use (i.e., grain farmers could do their own assessments simply by checking off practices/answering questions)
- Not require farmers to have third-party vendors collect data or undertake assessments (i.e. no cost to farmers)

- Allow for flexibility in suggested on-farm practices to accommodate regional differences across Canada related to variations in crop, climate and soils
- Be based on best practices according to scientific evidence: no value judgements would be included as to the type of technology used (i.e. GMOs, pest control products)
- Incorporate farmer input for best practices, as well as considerations about associated cost and resources for farmers

The CRSC also strongly suggested that a Code be easily integrated into the current food production system and complement existing similar programs seamlessly. As such, it would:

- Follow science-based guidelines for responsible grain and oilseed production, based on the 12 areas in the CRSC's Canadian Grains Sustainability Metrics Platform
- Incorporate, reference or include provincial Environmental Farm Plans where possible as well as the 4R Nutrient Stewardship Program, CLEANFarms and Keep it Clean!
- Be developed with direct involvement and input from farmers, scientists and other key industry members and stakeholders
- Build on existing programs and successes from industry partners and amplifier groups such as Farm and Food Care, Ag in the Classroom Canada, the Canadian Centre for Food Integrity and more.

“Canadians know little about farming but want to learn. When Canadians have credible information in front of them, they may change their minds”

—EWEN CALLAWAY, NATURE INTERNATIONAL JOURNAL OF SCIENCE

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 this 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.

We are also taking seriously other issues that you 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 with you.

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

