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The future of food: a Canadian perspective

The sustainability conviction





From field to table, the sustainability of the modern food industry is a topic of growing concern worldwide. Canadian consumers increasingly demand that food companies take action to reduce the impact of the sector on climate and waste. Some of Canada's largest food processors and retailers are in fact already actively working to improve the sustainability of every point along the supply chain, blazing a trail for the rest of the country's food industry to follow. To supplement its recent food consumer survey with further insight, Deloitte spoke with leaders at several Canadian food companies.

Introduction

Canadians are resolved to make better food choices based on health, environmental, and ethical grounds, and they're looking for brands and companies that share their concerns and values.

What Canadian consumers may not realize is that major food companies are just as committed to improving the sustainability of their industry.

According to our recent research, 72% of consumers say they prefer to shop at food retailers with strong sustainability or ethical practices, 71% say it's important they understand where their food comes from, and 61% are concerned about the amount of packaging used for food they order online. In this latter case, their concerns have likely grown because of COVID-19: 35% of our survey respondents say they ordered takeout more often as a direct result of the pandemic, and 5% say they purchased food from a meal-kit company.¹

What Canadian consumers may not realize is that major food companies are just as committed to improving the sustainability of their industry. For at least two of those we spoke with, it's a CEO-driven strategic priority for the entire enterprise that's not just about meeting consumers' expectations or shareholders' demands—it's a personal commitment to making meaningful, lasting change.



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Food companies' drive for a more sustainable industry is also rooted in a clear-eyed assessment of the challenges the world faces. With the global population anticipated to reach nearly 10 billion by 2050, demand for food is expected to rise by 50%. The environmental impact from increasing food production to meet this demand will push us close to—or beyond—the planet's boundaries for greenhouse gas emissions, land and water use, and nitrogen and phosphorus use.²

The food industry has no choice but to change, and governments and companies will have to play a leadership role.



Trends in food-sector sustainability

The next five to 10 years will see the largest food companies continue to develop and execute their sustainability strategies, capitalizing on their scale and influence to drive change throughout their supply chain. In time, smaller players will follow and adopt similar changes, and consumers will come to see—and trust—that organizations are working together to build a food system that’s more sustainable and better equipped to deal with future demands.

Based on our conversations with industry leaders and our own assessment of the food sector, we expect to see food companies focus their sustainability efforts on three areas over the next few years: reducing waste, responding to climate change, and building a more environmentally friendly and resilient supply chain.

1 Reducing waste
While the matter of plastic waste is at the forefront of many consumers’ minds these days, reducing both plastic *and* food waste is a key priority for the food company leaders we spoke with.

Food waste appears the easier challenge to address. One grocer has had remarkable success with a new digital food waste-management system that flags items nearing their best-before date and brands them as flash sale items, both in the store and in a digital app. Consumers have embraced the idea. The company now reports that it’s on track to reduce food waste by 50% by 2025. Other organizations are combatting the problem by donating unsold food to community organizations, while emerging new businesses, such as Outcast Foods, are working with grocers and their suppliers to upcycle unsold produce into dried fruits and vegetables or recycle it into whole-plant powders for use in other food products.³

Tackling plastic waste is trickier. Concerns about health, food safety, and shelf-life can make it difficult to adopt alternative packaging or bring-your-own-container solutions; consider how health directives to combat the spread of COVID-19 upended numerous initiatives to reduce plastic usage. Meanwhile, food companies bemoan the unnecessary variety of plastics used in food packaging. This lack of standardization means that not all plastic can be recycled; at the same time, the lack of available recyclable plastic means it’s still cheaper for companies to import new plastic resin for packaging. Both exacerbate the waste problem.

The industry leaders we spoke with acknowledge this is a problem, and they’re looking at ways to be smarter about packaging formats and the plastics used in an effort to facilitate recycling and reduce plastic waste. They believe governments will have a vital role to play in setting the standards that will spur innovation in this space. Together, governments and the industry are likely to make important progress in reducing plastic waste over the next few years. However, it will also be important for consumers to take responsibility for reusing and recycling the plastics they do bring home.





2 Reducing carbon emissions, responding to climate change

Climate change poses significant risks to food producers across Canada and worldwide. Hotter temperatures, more frequent extreme-weather events, changing precipitation patterns, and even dramatic shifts in soil conditions in which crops can grow all imperil farmers' livelihoods and the global food supply. Some food and beverage companies are already encountering climate change-driven disruptions to the plants they depend on, forcing them to retool recipes, invest in technology, and find new locations to grow crops. In addition, achieving net-zero carbon emissions globally by 2050, as mandated by the Paris Agreement, will require significant changes to how we live, work, move people and goods—plus, affect the type of food we may eat and how and where it is produced.

Major food companies have already begun to work with their agricultural partners to reduce carbon emissions and improve the resilience, adaptability, and sustainability of farms. Focusing on farmers and suppliers is paramount: more than 90% of carbon emissions produced by food retailers, for example, derive from their supply chain. Action is already underway. One processor, for example, has been working with suppliers to encourage farmers to adopt regenerative agricultural practices, such as no-till farming, crop rotation, and leaving fields fallow to improve soil quality and water management while also lowering carbon emissions. The same company is also urging its partners to explore unconventional ideas like vertical farming, which would allow more food to be grown without putting more land under the plow.

Elsewhere, a grocery company has made great progress in encouraging suppliers to embrace aquaculture and sustainable seafood production, reducing humans' impact on natural fish stocks while providing high-quality protein for the food industry. And in 2017, Walmart launched an initiative that challenges its suppliers to cut one billion metric tons of emissions from their operations by 2030.⁴

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3 Building a more sustainable supply chain

The COVID-19 pandemic illustrated that the global supply chains we rely on for everything from garlic to gaming consoles can be quickly broken, leading to sudden shortages. Yet even before this, consumers were paying more attention to where their food was coming from—they've been asking if it was ethically produced, and striving to buy from more local food suppliers.

These trends are also pushing food companies to ensure their suppliers respect human rights standards and avoid involvement in unsafe working conditions, unfair wage practices, human trafficking, or slavery. Food companies are also looking to "repatriate" their network of food suppliers to both meet consumer

demand and ensure the stability of their supply chain. In some cases, this repatriation effort is simply a matter of switching to a domestic supplier; in other cases, however, companies may need to educate farmers about how consumer preferences are changing and persuade them to grow different crops—such as garlic in British Columbia. They may find themselves working with farmers to establish new greenhouse operations, explore vertical farms, or adopt new technology to build the food supply Canada requires. To drive this change, companies will need to assure farmers there's a ready-made market for these new products. The end result? A more secure, more stable, and more Canadian food supply chain.

Whether public or private, any food company should prepare to disclose much more accurate and transparent information about its products, supply chains, and sustainability efforts.

4 Advancing the agenda Building a more sustainable food system is essential for meeting the food demands of a growing global population on a warming planet. Food companies large and small will need to work together to reduce waste, adapt to a changing climate, and create a more resilient supply chain.

To succeed, business leaders must take a wide-angled view to develop a rich and detailed understanding of sustainability issues as they affect their company, their suppliers, and their customers. Sustainability must be driven from the C-suite and embedded in all operations, with proper governance in place to ensure the organization attacks the challenge at speed and achieves results.

As well, company leaders must be prepared to examine all aspects of the business. Processes and practices that contribute to waste, carbon emissions, or other less-sustainable outcomes should be re-engineered so they can be neutralized, or even turned into a net-positive factor.

Alternative sources of supply must be established, through planning and contracting with suppliers in a variety of geographic locations. This will help hedge against the risk that rising temperatures, changing weather patterns, severe weather events, or natural disasters cause shortages of foods or key ingredients.

Whether public or private, any food company should prepare to disclose much more accurate and transparent information about its products, supply chains, and sustainability efforts. Consumers, investors, and other stakeholders will increasingly demand this information—along with evidence that progress is being made. The organization should also prepare to make difficult, purpose-driven decisions about suppliers, production methods, operations, and more in response to the scrutiny these disclosures may receive.

Finally, it's important to look for savings from sustainability-building actions, perhaps in the form of lower supplier costs or reduced energy costs. That said, companies may find that their efforts contribute to greater customer trust, more brand loyalty, and increased sales. And that's a welcome side effect.





The future of the food industry is a sustainable one, and everyone in the food supply chain will need to play a part. Any organization that hasn't started thinking about sustainability needs to do so now.

Endnotes

1. Deloitte, *The great slowdown: Deloitte 2021 future of food consumers survey*.
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4. Walmart, "Walmart Launches Project Gigaton to Reduce Emissions in Company's Supply Chain."
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