

Global Food Security

Fact Sheet for Investors



The Problem

Like many nations around the world, Canada is in the midst of a largely unrecognized food security crisis.

In its *2014 Public Policy and Food Insecurity*, Food Secure Canada reported that over 4 million Canadians are “food insecure,” and that “farmers and fishers are going out of business, our natural environment is being pushed to the limit, a quarter of Canadians are considered obese, and we are the only G8 country without a nationally funded school meal program.”

The scope of these challenges is expected to escalate quickly over the coming decades. A United Nations study estimates that there will be more than 9.6 billion people on the planet by 2050. The Intergovernmental Panel on Climate Change (IPCC) 2014 report estimates that 60% more food will be needed to feed us if food consumption and food waste trends remain at today’s levels.

Most people on the planet currently have enough to eat, but the growing need has so far been met through unsustainable industrialization of agribusiness and increased reliance on fossil fuels. This is putting enormous stress on natural resources and land use, with dire consequences.

Access to adequate fertile land for agriculture is essential to the survival of the human race. But there are also many other challenges that can have an impact on global food security including extreme weather events, poor infrastructure, droughts, disease, degraded soils and rising food prices. Food is currently treated as a commodity, which means that it’s bought, sold and wasted based on financial or economic returns. In the 2008 food price crisis that affected the entire world, hedge funds and speculators saw an opportunity. As a result, the price of grain nearly doubled – and almost 100 million people experienced hunger due to the quick and drastic spike in prices.

Why does this matter to investors?

Companies depend on stable communities in which to operate. Food and water scarcity and extreme weather events can push vulnerable communities to the breaking point. Violent conflicts and mass migration may result from competition for dwindling resources. Companies may experience risk from supply chain interruption, unstable sources of energy or water, and lack of access to workers. Companies that are exacerbating the problem may face reputational risks that damage sales and dry up markets.

The Solution

In a report, SHARE – a Canadian non-profit providing responsible investment services – said that “institutional investors, as a result of their exposure across the economy, are vulnerable to system-level impacts and therefore need to take steps to mitigate these types of risks.”

The report encourages investors to do so by engaging with portfolio companies, encouraging efforts that will help build more sustainable production practices and contribute to supply chain resilience as well as availability of key food products now and in the future.

Shannon Rohan, author of the report and SHARE’s Director of Responsible Investment Leadership, said that “by incorporating standards into purchasing and supply chain management practices and by making public commitments to product transparency and healthier food product choices, retailers and food product manufacturers can contribute to greater food system sustainability.” For shareholders, Ms. Rohan stressed, “greater sustainability means more reliable long-term returns and lower risks.”

But food security isn’t all about managing risk. Innovative solutions will require investment from the private sector. According to the FAO, \$83 billion dollars in investment will be required annually in order to feed the nine billion people expected to on Earth in 2050. Although complex scenarios abound, so does opportunity for long-term investors – provided they respect the environment, adhere to responsible labour practices and maintain positive stakeholder relations.

Investors take action

As a result of shareholder campaigns by Oxfam and other members of the Interfaith Center on Corporate Responsibility (ICCR), Coca-Cola and Pepsi have adopted zero tolerance policies related to illegal activities in their supply chains and for land displacement of legitimate landholders. Known as land grabbing, the large and sometimes illegal land acquisitions are often converted to plantations growing commodities such as palm oil and soy.

In Canada, NEI Investments have developed a framework to mitigate risks stemming from food insecurity. Their ‘Farm to Fork’ strategy identifies key ESG issues, companies and initiatives related to their investment in the food and beverage sector. They have prioritized engagement efforts with Empire Company, Metro and Coca-Cola. Another example is AGF Investments, whose Sustainable Growth Equity Fund invests in ESG themes such as health and well being and sustainable food.

Sustainable Palm Oil Campaign

Because of work done by responsible investors, we may see an end to deforestation caused by the palm oil industry. Shareholder resolutions and campaigns by Oxfam, Clean Yield, Domini, Trillium, New York State Comptroller's Office, ICCR and others have led to top purchasers of palm oil committing to source only 100 per cent responsibly produced palm oil. Companies onside include Unilever, ConAgra, JM Smucker, Mars, Nestlé, Kellogg, General Mills, Mondelez, Dunkin Brands, Panera, Kroger, Safeway and Starbucks. After Unilever announced that it would source only sustainable palm oil by the end of 2014, Wilmar, the world's largest supplier, announced that it would provide products free from links to deforestation or abuse of human rights and communities.

Much of the destruction from palm oil plantations has happened in Indonesia's rainforests. Colgate and L'Oréal are among the few companies who are removing forest destruction from all of their products.



About the RIA

The Responsible Investment Association (RIA) is Canada's industry association for responsible investment. RIA members include fund companies, financial institutions, asset management firms, asset owners, advisors, research firms, consultants and others who practice and support the incorporation of environmental, social and governance (ESG) factors into investment decisions.

Learn more at www.riacanada.ca