

Saskatchewan Grain Bag Stewardship Program

Fact Sheet
2022



Recycling FAQs for Growers

Will a grain bag roller be available at my collection site?

Cleanfarms collection sites have the option of making a grain bag roller available free of charge to farmers or working with another local agency to do so. Cleanfarms provides a financial incentive to collection sites to cover the purchase, insurance and maintenance of this piece of equipment. Please speak with your local collection site to find out why they have or have not decided to make one available in your area.

I don't have a roller, what should I do?

We suggest that you contact Cleanfarms for options in your area. You might also speak with your neighbours as well; some farmers cooperate with their neighbours to facilitate rolling and drop off.

Which collection sites offer on-farm rolling and/or pick up of grain bags?

Some sites, RMs, watershed groups along with other enterprises offer services like on-farm pickup, rolling and baling. Call your collection site to find out what is available or 306 341 4460.

On-farm rolling and pickup are separate from the Cleanfarms program i.e., they are outside of the scope of the agreement Cleanfarms has with collection sites (and for which collection sites are compensated by Cleanfarms). User fees may apply.

If I have a large number of grain bags, do I have to pay extra to drop them at a collection site?

No. Cleanfarms' approved grain bag recycling program has been developed to accommodate farmers who use a few grain bags for overflow storage, large volume users as well as growers who have legacy materials (grain bags stored for several years) on the farm.

If you have a large number of grain bags on your farm (e.g. more than 30 - 40 bags), contact us at 306 341 3660. We may be able to arrange assistance with pickup on farm when a contractor is in nearby servicing a Cleanfarms collection site.

If I don't have equipment to haul grain bags to a collection site, how can I participate?

Most farmers are able to transport their grain bags to a collection site using a 3 ton truck, or flat deck trailer. For efficiency, some farmers coordinate with their neighbours on transportation and rolling. If equipment, collection site location or any other issues arise, please contact Cleanfarms to discuss on-farm pick up options that may be available; please contact info@cleanfarms.ca.

Cleanfarms collection sites are far from my farm. What do you suggest?

During the first year of the program (2018), there were 16 collection sites; now there are 45+ sites. If you feel your area is underserved, please contact us: info@cleanfarms.ca. Several sites offer access to grain bag rollers. Cleanfarms is always keen to speak with public and private sector participants who may wish to offer collection services.



Tammy Shields, our Western Region Program Coordinator in Moose Jaw, is ready to answer your questions about recycling your grain bags: email shieldst@cleanfarms.ca

About the Environmental Handling Fee (EHF) on Saskatchewan Grain Bags

What is an EHF and what does it do?

All recycling programs, whether for electronics, packaging, printed paper, tires or oil cost more to operate than is recovered in revenues received for the sale of materials. An EHF is a funding mechanism that is commonly used by stewardship organizations to allocate program costs fairly to those that are responsible for funding a recycling program. (In the case of Saskatchewan's grain bag recycling program, first sellers who supply grain bags to growers have this responsibility). The cost is usually passed on to the consumer in the form of a visible EHF that is applied at the time of purchase. The EHF covers each of the costs associated with ensuring grain bags are recycled at the end of life.

What other sources of revenue are used to fund this program?

Depending on the state of recycling end markets, revenue can be generated through the sale of plastic to end markets.

What happens to funds raised through the SK Grain Bag EHF?

First Sellers apply an EHF (Environmental Handling Fee) to grain bags at the time of purchase. First Sellers file quarterly reports on the units (and weights) sold and then remit their unit-based EHF payment to Cleanfarms. Cleanfarms applies these funds to managing the SK grain bag recycling program.

This includes paying contractors (7 at present, who assist with loading and transportation), collection sites (45+ at present, who receive incentive payments to recoup their costs associated with accepting rolled grain bags), promotions and education, reporting and managing confidential industry information, human resources and associated administration. If there is leftover funding from one year, it is held in reserve for when sales may be less but costs remain, despite a diminished EHF remission.

Why does the SK grain bag program not offer a refundable deposit to SK growers?

A deposit can provide an incentive to increase participation but it increases costs and complexity. This option was reviewed during the consultation process (before program launch) but there was a desire to keep the program simple so a non-deposit program was selected. And, the results to date point to the strong participation of SK without the need for a deposit-based incentive.

How do deposit systems increase cost and complexity?

Deposit systems generally increase the number of financial transactions involved and this increases administrative requirements. This can have a significant impact on programs that are relatively small, like Saskatchewan's grain bag recycling program.

Additional factors to consider when discussing a province-wide deposit system:

- *Which party would take on the responsibility of issuing refunds? Would it be the First Seller, Cleanfarms, collection site, or other party? What data (which could be confidential – e.g., customer lists, bag size by customer) would need to be shared across multiple parties to ensure the appropriate business/individual receives the correct refund amount? Any costs associated with exchanging data, and ensuring its confidentiality, need to be financed through funds raised by the EHF.*
- *What financial compliance mechanisms (e.g., auditing) would need to be put into place? Which party would be subject to auditing? Any costs associated with this would need to be financed through funds raised through the EHF.*
- *What mechanisms need to be put in place to manage situations where grain bags are purchased by different individuals within a single farming operation (e.g. one member of a family purchases the grain bags and another drops them off for return)? These subtleties need to be considered and reflect the high administration and accounting costs associated with deposit programs.*
- *How would the program handle legacy materials (e.g., grain bags purchased prior to the program start date)? This gets back to the point about exchanging information and covering associated costs.*

These are just some of the complexities that need to be weighted when evaluating the cost of a province-wide deposit program.

About the Environmental Handling Fee (EHF) on Saskatchewan Grain Bags (2)

The EHF associated with Cleanfarms' program is \$225/tonne. Why does it cost this much?

The EHF takes into account all costs required to provide this program to growers throughout the province. In addition to incentives paid to collection sites and fees for transportation and processing, it covers full program costs like mileage, insurance (e.g., workers compensation board, general liability), promotions & education, legal costs, and maintaining a reserve (contingency) fund amongst others.

Cleanfarms' financials are audited on a yearly basis by an independent third-party auditing firm. The EHF is reassessed annually, as part of the overall budget for Saskatchewan's grain bag recycling program. The budget is considered and ultimately approved by a committee of first sellers (grain bag suppliers that are impacted by [The Agricultural Packaging Product Waste Stewardship Regulation](#)).

Program costs (incorporated in the EHF) do not cover grain bag rolling which is often managed by growers or may be contracted out to private entities. Private enterprises will often quote fees less than the EHF for providing related services (i.e. rolling, hauling); these are independent costs that are not related to the EHF or this program.

There are no fees to drop off properly prepared grain bags at any Cleanfarms collection site. At some sites, grain bag rolling and loading may also be included.

Why is it important to have a reserve fund?

Stewardship organizations like Cleanfarms, grower groups and other not for profits often have a reserve funds that is set aside to provide cushion against unplanned events (e.g. market fluctuations) and allows for, if necessary, an organized wind down of programs.

Each of Cleanfarms' permanent programs have their own reserve fund, which is restricted for each individual program's use. For example, the reserve fund for Saskatchewan's grain bag recycling program can not be used to cover expense for Cleanfarms' seed and pesticide bag program.

Cleanfarms' reserve fund policy (recommended by the third-party management consulting firm PwC) is to maintain between 50-150 % of the program's costs as a reserve fund. The recommended value of a program's reserve fund is based on a three-year average of each program's cost. Maintaining reserves demonstrates good financial and risk management.

I pay an EHF when I purchase grain bags and then I pay a charge when I hire a contractor to pick them up after use. Why?

The EHF that is part of Cleanfarms' approved program and that is paid at the point of purchase finances the recycling of grain bags once they are dropped off at Cleanfarms collection sites. There is no added charge at Cleanfarms collection sites for drop off and at some sites, grain bag rolling and loading may also be included.

Some farmers opt to use fee-based services (such as on-farm grain bag pickup, grain bag rolling, etc.) which may be available through some Cleanfarms collection sites and private contractors that are not part of the Cleanfarms network. These services are not covered by the EHF. Any farmer that has questions about what they are being charged is invited to contact Cleanfarms: info@cleanfarms.ca.

If farmers are using a contractor to pick up or roll grain bags on their farm, we recommend that they talk to their contractor and find out if they are aware that compensation is available from Cleanfarms or if they are able to meet the terms required to be a collection site (i.e. insurance requirements, accessibility, space and pest control).

Why didn't Cleanfarms choose a model which includes on-farm pickup and rolling?

This would significantly increase the cost of the program, and that would increase the EHF.

Data from the pilots (2010 to 2017) demonstrated that farmers were willing to drop off grain bags at consolidation points. Collection volumes from the permanent program further support this. Many farmers have the means to bring grain bags to a collection point, whether it is using their own equipment, working with neighbours, or contracting for paid pickup and/or rolling services.

It would be unfair to ask all farmers to cover pickup and rolling costs when some don't need this type of service.

By offering a solid baseline service of collection sites or consolidation points, this program gives farmers flexibility. It also promotes entrepreneurship by encouraging individuals to offer on-farm pickup and rolling services if there is a need in their community.

Program Management

Why do first sellers opt to work with an industry stewardship organization like Cleanfarms?

In 2016, the Saskatchewan government passed [The Agricultural Packaging Product Waste Stewardship Regulation](#) (The Regulation), which obligates First Sellers to ensure that a government-approved recycling program for grain bags is in place. The Regulation states:

No first seller shall fail to:

- (a) operate a product stewardship program approved by the minister; or
- (b) enter into an agreement with a person to operate, on the first seller's behalf, a product stewardship program approved by the minister.

Regulations that are in place for tires, electronics or oil in Saskatchewan give first sellers similar options.

First sellers often choose to 'enter into an agreement with a person (e.g. Cleanfarms) to operate, on the first seller's behalf, a product stewardship program approved by the minister' for several reasons that could include:

- The core businesses of a first seller are typically sales and distribution, and not recycling/waste management. Delegating stewardship responsibilities to an organization like Cleanfarms frees first sellers to focus on their core businesses.
- Some first sellers have similar obligations in multiple jurisdictions/provinces. Delegating their regulatory obligations to an organization that also operates in multiple jurisdictions can simplify or streamline administration (e.g., reporting and remitting).
- Entities like Cleanfarms have no competitive and/or commercial interest in sales of the product to be collected and recycled. Cleanfarms does not compete with its members for market share, so first sellers are generally comfortable sharing confidential sales data within the program (as is needed for program management).
- It allows first sellers to take advantage of economies of scale, in particular with respect to accessing recycling markets and securing the best terms (e.g., revenue from the sale of used grain bags) from recyclers. An organization like Cleanfarms marketed over 2,500 tonnes of grain bags in 2020 (1,257 tonnes - 2018; 2,256 tonnes - 2019). By coordinating the process, Cleanfarms' can provide recyclers with a consistent and high-quality material, which increases access to recycling end markets.. This approach also ensures efficiency in the system.

Could a small group (i.e. 2 or 3) of first sellers work together to meet their regulatory obligations?

The first sellers would need to review the requirements of [The Agricultural Packaging Product Waste Stewardship Regulation](#) where it states:

No first seller shall fail to:

- (a) operate a product stewardship program approved by the minister; or
- (b) enter into an agreement with a person to operate, on the first seller's behalf, a product stewardship program approved by the minister.

When considering this option, it is important to keep in mind that operating end of life stewardship programs for multiple first sellers involves the collection of sensitive sales information (e.g. volumes of materials sold into the market).

First sellers will often choose to work with an entity (e.g., Cleanfarms) whose core business is end-of-life stewardship programming. Why? Because that entity does not have a commercial interest in the sales and distribution of the materials collected (e.g., grain bags). It is highly unlikely that a first seller would hand over their sales data to a competitor.

Program Management (2)

Why does Cleanfarms operate as a not-for-profit?

The primary reason that stewardship organizations such as Cleanfarms operate as a not-for-profit is to provide assurance to stakeholders that all revenue that it receives will be used to support and/or operate the stewardship programs or other objects of the organization. By operating as a not-for-profit, Cleanfarms is able to bring together competitors in the marketplace for the purpose of developing and operating industry-wide programs.

Incorporating as a not-for-profit corporation entrenches the obligation that all revenue must be used for the objects of the corporation. It ensures transparency and accountability to members and regulatory bodies. On a similar note, many grower groups also operate as not-for-profits to protect the interest of members i.e., growers.

A not-for-profit corporation, such as Cleanfarms, cannot be bought or sold because the relevant laws prohibit the issue of shares. The absence of shares, means that it is not possible to declare or pay dividends. The not-for-profit corporation can only use revenue for the objects of the corporation, and in Cleanfarms' case, that means the development and operation of stewardship programs.

Strict rules and guidelines are in place to govern the financial aspects of Cleanfarms. For example, Cleanfarms undergoes an annual third-party financial audit and has strict internal control policies to ensure the integrity of its financial statements. In the case of regulated programs like Saskatchewan's grain bag program, additional conditions apply in that the funds collected for the program can only be used for the operation of that specific program.

How would Cleanfarms handle a situation where a first seller also wishes to act as a collections site and/or contractor? Could that first seller still enter into an agreement with Cleanfarms?

Yes, the first seller could still enter into an agreement with Cleanfarms to be compliant with the regulation. Within the end-of-life stewardship sector, it is not uncommon for an entity to take on multiple roles within the value chain if the entity meets the appropriate qualifications/service standards.

For example, a company that sells electronics (and has regulatory obligations under an end-of-life stewardship regulation for electronic waste) might also act as a collection site. A company whose core business is waste/resource management may act as a service provider or collector, but, due to scale, purchases sufficient oil and therefore has regulatory responsibilities under an oil recovery regulation.

Within Cleanfarms, several entities whose primary businesses are the supply of pesticides, crop inputs and/or grain bags have concurrently taken on steward/first seller, collection site and service provider roles.

The appropriate policies are in place to navigate sensitive situations where there may be a conflict of interest.

- Cleanfarms' Code of Conduct applies. For example, any first seller who has responded to an RFP would be required to withdraw from any vote or deliberation where there is a conflict of interest.
- The appropriate written agreements are signed by all entities.
- The procurement process for services contracts is conducted fairly in a way that maximizes value for farmers and stewards. Request for Proposals (RFPs) are issued on an as-needed basis for the required services and are evaluated based on proponent expertise and competency, as well as price.

Program Management (3)

Is this a Saskatchewan-based program?

Cleanfarms is a federally registered not-for-profit organization that holds a registration as a Non-profit Corporation in the Province of Saskatchewan. Program operations are managed by SK staff and contractors with accounting and admin support from head office in ON.

The funds collected through the EHF in Saskatchewan support the operation of the program in this province. The EHF covers the costs of overhead, staffing in Saskatchewan, collection site remuneration and contractor costs.

Does the revenue raised by the EHF on grain bags stay in Saskatchewan?

The EHF paid by growers is only used for the operation and management of grain bag recycling in Saskatchewan. The EHF covers the costs of shared services for the program, staffing in Saskatchewan, collection site remuneration and contractor costs.

Does the EHF collected from SK growers support investment in the province?

Absolutely. In the past three years of operation, this program has spent \$2M directly in the province; over the past 10 years the total expenditures of all Cleanfarms program operations in SK are close to \$50M. Revenue collected through the EHF for the grain bag stewardship program is used to pay seven people and/or businesses (based in SK) that provide shipping, handling, baling and logistics to the program; this is in addition to the amazing workers at 45+ locations around SK that help facilitate grain bag collections year round. This also supports one full time employee based out of Moose Jaw.

The EHF is \$225/tonne. How much is paid to collection sites?

Collection sites are provided with an incentive that starts at \$55/tonne and can increase to \$95/tonne for Cleanfarms sites that provide additional services such as grain bag rolling and loading. Also important: a recent waste characterization study estimated that up to 35% of a grain bag's weight can be contamination (soil, organic matter or rocks) which is also factored into program costs.

The remainder of the EHF covers costs associated with transporting grain bags to end markets, promotion & education, administration (e.g. paying supplier and collection site invoices), reporting and the collection of commercially sensitive data. A portion is allocated to a reserve fund that ensures finances are available for years where grain bag sales are low, but farmers still have bags that need to be recycled (with 2021 being a good example). It also provides for a structured wind down of the program if/as needed. Each of these costs is taken into account in the financial model that was developed to support this government approved program.

Cleanfarms reports a recovery rate of approximately 60%. What happens to the revenue from the EHF collected on grain bags that aren't returned?

Good program management comes into play. This type of situation is first addressed in the annual budgeting process. When budgeting, Cleanfarms projects a recovery rate (e.g., a 70% collection volume) based on available data like past program performance. The budget estimates the annual cost associated with managing 70% of the volume sold into the marketplace. These costs (associated with managing 70% of the volume sold) are spread across the projected volume sold into the market (e.g., 100% of the volume sold) in the form of the EHF.

Any surplus revenue is added to the reserve fund dedicated to Saskatchewan's grain bag recycling program. This surplus revenue could be used to decrease an EHF in future years. The same applies to any potential deficit. If the program goes into deficit, the shortfall would likely be incorporated into the EHF in future years.

The recovery rate (approximately 60% in 2021) is expected to increase over time.

Does an industry stewardship organization like Cleanfarms profit from an EHF-based program?

Like most stewardship organizations, Cleanfarms is a not-for-profit organization. The funds collected through the EHF in Saskatchewan are set aside to support the operation of the program in the province for today and for the future. Cleanfarms does not have shareholders (it has members) and neither Cleanfarms, nor its members, profit from this program.

Cleanfarms collects the EHF while some private companies collect and roll grain bags. Why don't these companies have access to the EHF?

The Regulation that governs Cleanfarms' program does not prevent a private entity from picking up grain bags and arranging their transportation to a recycling end market or other destination.

To become a collection site (and be eligible for incentive payments) under the approved program in SK, prospective collection sites need to complete a collection site agreement that addresses important issues such as space, insurance etc.

Some private entities/contractors may choose not to enter into an agreement with Cleanfarms, which would allow them to access these incentive payments.

Program Impacts

What happens to grain bags when they're collected?

Grain bags collected through Cleanfarms SK collection sites are transported to the most local recycling facility in Alberta for processing. There is currently no SK-based recycling facility but our team is always eager to engage with local entrepreneurs.

Are grain bags actually recycled?

Yes – they're cleaned, shredded and turned into pellets which are used to make new film products such as industrial garbage bags, construction sheeting and composite dimensional lumber.

How much has this program achieved?

As of 2020, more than 2,536 tonnes of grain bags have been recycled through this program since it began full time, in 2018.

When did grain bag recycling start in SK?

GB collections started in Milestone, SK in 2010 with a partnership of government and non-government agencies. Tammy Shields, Cleanfarms Western Region Coordinator (Moose Jaw, SK) facilitated this early pilot, and now coordinates the Cleanfarms SK grain bag program and several other activities.

How does this contribute to the Circular Economy?

Cleanfarms supports the transition towards a circular economy and is currently working with recyclers across Canada and in the USA on circularity of the plastics we collect.

What are the greenhouse gas impacts of the program?

Cleanfarms strives to be as efficient as possible in the collection of grain bags in order to minimize GHG emissions, maximizing shipping weight of the trucks, operating 45+ local consolidation locations and working with local recyclers reduces truck miles and associated emissions.

