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## Item No. 11.4.2

### Request for Regional Council's Consideration

**x Included on Agenda**  
(Submitted to Municipal  
Clerk's Office by Noon  
Thursday)

**Added Item**  
(Submitted to Municipal  
Clerk's Office by Noon  
Monday)

**Request from the Floor**

**Date of Council Meeting: October 27, 2015**

**Subject: Food waste reduction tax incentive**

**Motion for Council to Consider:** 1. Halifax Regional Municipality support the National Zero Waste Council's food waste reduction proposal to introduce a federal policy which implements tax incentives for food producers and suppliers who donate their unsold edible food, thereby reducing unnecessary food waste, decreasing disposal cost to municipalities, reducing the environmental impact of food waste, and alleviating hunger and poverty in our communities.

2. Halifax Regional Municipality direct that this resolution be forwarded to the Federation of Canadian Municipalities for consideration at its upcoming Annual General Meeting.

**Reason:** It has been estimated that up to 40% of the food produced is lost along the value chain, with much of it finding its way to landfill or composting instead of ending up as nourishment ([Provision Coalition, 2014 via National Zero Waste Food Working Group](#)). The value estimated for food waste across Canada is \$31 billion dollars, or 2% of the Canadian Gross Domestic Product ([Cost of Canada's Annual Food Waste, Gooch, 2014](#)).

It is estimated that one in eight Canadians struggle to put food on the table ([Second Harvest, 2015](#)). Nutrition and food security are among the top four indicators of health in Canada, with limited access to nutritious, affordable food linked to poor health ([What Makes Us Sick, 2013](#))

Although waste arises at all stages of the food supply chain the most significant gains for food waste reduction lie in food manufacturing, retail and with consumers, with the causes of food waste ranging from limitations of technology with respect to equipment and packaging, to the behaviour and risk perception ([Provision Coalition, 2014 via National Zero Waste Food Working Group](#)).

Recently the [European Union Commission](#) tabled a strategic proposal targeting food waste reduction including a number of elements that would support a new circular economy.

Canadian municipalities are taking local actions to reduce food waste, including initiatives such as:

- Organizing and developing a Southern Ontario Food Waste Collaborative
  - Undertaking more detailed waste composition analysis to better understand the food waste resulting at the household level
  - Promoting food waste reduction through ad campaigns
- Grass roots community activism and not for profit agencies which support food rescue such as Food Banks Canada, local food bank efforts (i.e. [Second Harvest](#), [The Stop](#)), Food Forward and "[Not Far from the Tree](#)".

**Outcome Sought:**

Motion from Regional Council supporting National Zero Waste Council's food waste reduction proposal

**Attachments:**

A TAX INCENTIVE TO PREVENT FOOD WASTE IN CANADA, ISSUES BRIEF, FALL 2015  
National Zero Waste Council

STUDY OF ORGANIC WASTE REDUCTION: Tax Incentive Options for Charitable Food Donations Making the Business Case      Prepared by The Conference Board of Canada

Councillor: Jennifer Watts

District: 8

# A TAX INCENTIVE TO PREVENT FOOD WASTE IN CANADA

ISSUES BRIEF | FALL 2015

**Purpose:** Provide a rationale for the federal government to introduce a tax incentive to divert thousands of tonnes of edible food away from landfills to food-insecure households.

**Problem:** About 170,000 tonnes of edible food—equivalent to about 300 million meals—wind up in Canadian landfills every year. Production, shipping and lost market value tied to this waste costs between \$31–\$107 billion.<sup>1</sup> Producers and suppliers account for half of the waste. These businesses often pay more to donate food than to throw it out. This hurts our economy, municipalities and the environment. Organic waste, largely food, produces 3% of Canada’s greenhouse gas emissions—half that of the oil, gas and mining sector. The impacts of this waste are felt by food charities, which experience shortages, and those they serve, including, 1.1 million households with moderate to severe food insecurity.

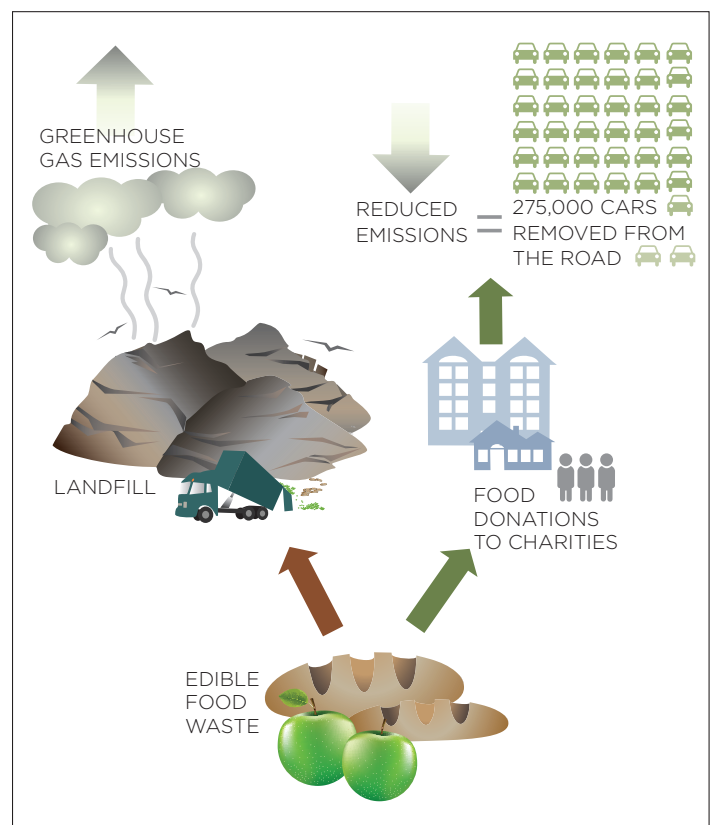
**Solution:** Offer businesses a simple tax credit linked to the fair-market value of food donated to charities serving Canadian households in need.

**How it works:** The cost of manufactured goods is used as the basis for the tax incentive. Food donors report only the cost of goods as income. They are then permitted to deduct the cost of donated items, plus half the unrealized appreciation (mark-up based on fair market value), up to twice the cost of the food donated (see examples).<sup>2</sup> Eligible recipients of donations are charitable, food community organizations including food banks, shelters, community kitchens, etc.

**Effectiveness and efficiency:** According to the Conference Board of Canada, a tax credit based on the cost of food manufactured would be the most effective and efficient, as it would appeal to businesses and divert large volumes of food from the waste stream. Charities would ensure that the donated food reaches those in need.

**Economic benefits:** A recent study estimates that our food industry could reduce its operating costs by 15% – 20% by reducing food waste. Cities would cut food waste management costs by an estimated \$41.5 million per year. Costs to the public purse would be lowered, as health and education outcomes associated with improvements to food security rise. The broader economy would also save money, owing to lower consumption of water and other resources, used in production and storage, and greater food security.

**Environmental benefits:** Improved land, air and water quality would result from reductions in leachate and greenhouse gas emissions, as more edible food is diverted from landfills. A Metro Vancouver study indicates that a tax credit for food donations would slash emissions by the same amount as removing 275,000 cars from the road.



**Social benefits:** Adults in food-insecure households are more inclined to suffer poor health, develop more chronic illnesses, and suffer mental illnesses; and their children do not perform as well at school as schoolmates with better nutrition. Food-insecurity afflicts 13% of Canadian households; so this proposed tax incentive would improve public health and education outcomes and reduce associated costs to the public purse.

**Global alignment:** Local and provincial Canadian governments are now banning organic waste from landfills. France has banned the disposal of edible food and, like the United States and Spain, provides financial incentives to boost businesses' donations of food. In 2015, the US also announced a first national food-waste reduction goal, calling for a 50% reduction in food waste by 2030. The EU has tabled a strategic proposal targeting food waste. The United Nations has called for an 'urgent response' to reduce the 10 billion tonnes of urban waste produced each year, including measures to "reduce waste at source, engage citizens, industries and other stakeholders [and] move from linear waste management to the circular economy."

**Conclusion:** Businesses already donate edible food. A tax deduction linked to the value of food donated would be attractive to businesses and would help divert larger volumes of edible food from waste. Well aligned with business practices and emerging legislation and global strategies, this incentive would benefit our economy, environment and society.

The **National Zero Waste Council** brings together leaders in government, business and community organizations to advance waste prevention in Canada.

## Notes

<sup>1</sup> For brevity, this document does not offer references. For details, please email [james.boothroyd@metrovancover.org](mailto:james.boothroyd@metrovancover.org) and [denise.philippe@metrovancover.org](mailto:denise.philippe@metrovancover.org) or see backgrounder (available late October).

<sup>2</sup> For example, see the below calculation of current and proposed tax credit on a bread donation:

### *Bread Donation Under the Current Practice*

Giovanni's Bakery gives bread with a fair market value (FMV) of \$1,000 to a local food bank that is a registered charity. The cost of the bread to the company is \$500, half its sale price. The charity gives the business a tax receipt for \$1,000.

#### *Calculation of taxable income*

Sales of bread	\$ 50,000
Plus the FMV of bread donated to charity	+ 1,000
Income	\$ 51,000
Less production costs	- 25,500
Net income	\$ 25,500
Less tax deduction for donated bread	- 1,000
<b>Taxable income</b>	<b>\$ 24,500</b>

### *Bread Donation with proposed tax reduction*

#### *Calculation of taxable income*

Sales of bread	\$ 50,000
Plus the cost of bread donated to charity	+ 500
Income	\$ 50,500
Less production costs	- 25,500
Net income	\$ 25,000
Less tax deduction for donated bread (limited to 2x the cost)	- 1,000
<b>Taxable income</b>	<b>\$ 24,000</b>

# STUDY OF ORGANIC WASTE REDUCTION:

## Tax Incentive Options for Charitable Food Donations Making the Business Case

Prepared by The Conference Board of Canada

### About the National Zero Waste Council

The National Zero Waste Council is a cross-sector leadership initiative bringing together governments, businesses, and non-government organizations to advance a national waste prevention and reduction agenda in Canada. With a focus on influencing behaviour and improving product design and packaging, the National Zero Waste Council aims to unite efforts in waste prevention and drive a fundamental shift in our relationship with waste. [www.nzwc.ca](http://www.nzwc.ca)

Prepared by The Conference Board of Canada

May 2015

Principal Investigators: Alison Howard, Principal Research Associate

Dr. Jean-Charles Le Vallée, Senior Research Associate

### EXECUTIVE SUMMARY

Avoidable organic waste leads to undue costs for local governments including infrastructure costs to manage waste, along with associated environmental costs of pollution monitoring. Such costs could be put to better public use for the benefit of businesses, families, and communities. Food is a significant part of organic waste: a recent study calculated that the annual value of food waste in Canada is \$31 billion.<sup>1</sup> Metro Vancouver looked at food waste statistics from various municipalities across Canada and estimated an overall national figure of 169,400 tonnes of edible food that is disposed of annually.<sup>2</sup> This represents a huge amount of food, effort and expense that is literally going to waste. Providing compelling incentives to the ICI (industrial/commercial/institutional) sector to donate edible food is a progressive approach

to edible food disposal reduction and management. A tax incentive strategy is one potential means of encouraging business to donate rather than dispose of edible food.

This report examines the business case for using a tax incentive strategy to increase the diversion of organic waste by incenting businesses to increase their donations of edible food. It is based on the premise that in food supply chains there is always a quantity of healthy, nutritious food that results from oversupply, food that is misshapen and thus hard to sell, and food beyond its 'best before' date. The expected results—increased food donations and less organic material entering the waste stream—would give rise to economic, environmental, and social returns.

This report employs a brief literature review and interviews with stakeholders to inform the business case analysis. It outlines the strengths and weaknesses of various tax incentive options and presents complementary strategies that could add value to a tax incentive strategy that focuses on reducing organic waste through increased food donations.

### Definition of Edible Food

Before setting out the parameters of a new tax or other kind of incentive, 'edible food' needs to be defined. No incentive should be offered for food waste, which consists of food losses, inedible parts or food spoilage. Incentives should only be directed toward donations of edible food: defined as good quality, healthy, nutritious food. Food still in perfect condition can be unsuitable for sale where commercial standards are not met. It remains safe and is a healthy choice for human consumption. This includes food that is safe to eat beyond its "best before" date. The 'best before' date does not indicate a food is unsafe to eat, but rather that its quality, freshness, taste or nutritional value may be less than ideal.<sup>3</sup>

### Benefits of Diverting Food from Waste Streams

Prior to deciding on whether to offer a tax incentive for food donations, governments want to know how it could benefit the economy, the environment, and society. Motivations for governments to support efforts to reduce organic waste through diversion of edible food include a greater ability to reduce communities' environmental footprints; economic gains; and enhanced household food security.

Businesses will be more likely to change behaviour to divert more edible food from disposal and increase their community food donations, if they are suitably motivated and provided with effective, easy-to-adopt options for action. Key motivations for business include financial rewards; relationship building and partnerships; and corporate social responsibility.

### Tax Incentive Options

To be effective in motivating businesses to donate food, a new incentive must be compelling enough to change existing behaviour. A tax incentive should aim to decrease edible food disposal and increase edible food donations. There are a number of ways to structure such an incentive, including linking it to food donations, the costs of disposal or donation, or other means.

There are several possibilities for linking tax incentives to actual food donations. One approach is to base the tax incentive on the measure or value of edible food being donated. A food donation could be measured by its cost, fair market value, weight, volume, or other method.

Another approach to creating a new tax incentive is to link the incentive with a desirable business behaviour. Some examples of tax incentive options include linking a tax incentive with:

1. The cost of manufactured goods/food – The simplicity of this approach, in that it relies on only one measure of food donation (i.e., fair market value), is appealing to stakeholders.
2. The amount of food donated – Matching the amount of benefit to the donated food volume or weight would encourage food donors to maximize their donations.
3. The frequency of food donations made – This approach would aim to increase the overall amount of edible food being diverted from waste streams through a higher frequency of food donation.
4. The transportation costs associated with making a food donation – This incentive would lower a barrier to food donation by offsetting a real business cost.
5. Business waste disposal costs – This incentive would lower a barrier to food donation by offsetting a real business cost.

Examples of complementary strategies to tax incentives for augmenting commercial food donations include education; centralized warehouse facilities; third-party certification; and other government efforts.

### Next Steps

Next steps in taking action to incent businesses to change their behaviour could include some or all of the following:

- Conduct new research on where and how a new tax incentive would fit into the existing Canadian taxation system.
- Consider international models in this area for ideas on how to encourage businesses to donate edible food.
- In other jurisdictions where tax incentives for food donations are already available, look at whether the amount of organic waste was reduced in those regions to strengthen arguments for a new tax incentive in Canada.
- Encourage commercial food waste disposal bans or limitations in municipalities/regions across Canada to encourage businesses to consider alternatives for disposing of edible food.<sup>1</sup>

- Conduct discussions, surveys or workshops with businesses, community organizations and governments to examine together the challenges of redirecting edible food and potential solutions, and then establish collaborative frameworks for action.
- Look at other ways to reduce waste associated with food, such as packaging that could be reduced in weight or volume, and recycling of packaging materials.

Finding ways to incent businesses to divert more organic material from waste streams through edible food donation is an ambitious but commendable aspiration. They have great potential for producing economic, environmental, and social benefits.

## Notes

1 Gooch, Martin and Abdel Felfel, *“27 Billion” Revisited*, 10. This figure includes all types of waste stemming from food production, some of which is destined for human consumption channels, some for animal feed sources, and some for landfills, composting, and bio-digestion.  
 2 Metro Vancouver, Unpublished data.

<sup>3</sup> Canadian Food Inspection Agency, Factsheet : *Date Labelling on Pre-packaged Foods* (web site)

<sup>4</sup> This approach is also recommended in Uzea, Gooch and Sparling, *Developing an Industry*, 23.

[FOOTER TEXT]

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