



City of Richmond

Report to Committee

To: General Purposes Committee **Date:** October 25, 2015
From: Tom Stewart, ASCT. **File:** 10-6370-10-01/2015-Vol 01
 Director, Public Works Operations
Re: **National Zero Waste Council – Food Waste Reduction Federal Tax Incentive Proposal**

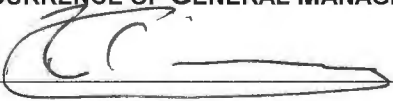

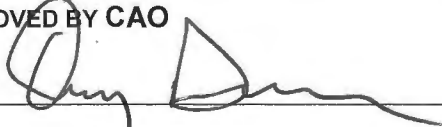
Staff Recommendation

That the following resolution be adopted and forwarded to the Federation of Canadian Municipalities (FCM) for consideration at FCM's upcoming Annual General Meeting:

BE IT RESOLVED that the City of Richmond supports the National Zero Waste Council's food waste reduction federal tax incentive proposal and urges the Government of Canada to implement tax incentives for food producers, suppliers and retailers to donate unsold edible food.

Tom Stewart, ASCT.
 Director, Public Works Operations
 (604-233-3301)

Att. 3

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER	
	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: 
APPROVED BY CAO	
	

Staff Report

Origin

The National Zero Waste Council is seeking support from their members and supporters for a federal tax incentive to reduce food waste (see Attachment 1). The proposed tax incentive would offer businesses a simple tax credit linked to the fair-market value of food donated to charities. This initiative would help promote diversion of food waste from landfills, providing a variety of economic, environmental and social benefits.

This report supports Council's 2014-2018 Term Goal #4 Leadership in Sustainability:

Continue advancement of the City's sustainability framework and initiatives to improve the short and long term livability of our City, and that maintain Richmond's position as a leader in sustainable programs, practices and innovations.

4.2. Innovative projects and initiatives to advance sustainability.

Analysis

About the National Zero Waste Council

The National Zero Waste Council, chaired by Mayor Malcolm Brodie, 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 behavior 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.

Proposed Tax Incentive

The purpose of the proposal from the National Zero Waste Council is to encourage the federal government to introduce a tax incentive to encourage businesses to donate food, thereby keeping edible food out of the waste stream.

It is estimated that 40% or 170,000 tonnes of edible food, equivalent to 300 million meals, is disposed of in landfills every year. Production, shipping and lost market value tied to this waste is estimated to be in excess of \$31 billion. Producers and suppliers account for half of the waste and these businesses often end up paying more to donate food than it costs to dispose of the excess. Environmentally, organic waste, largely food, produces 3% of Canada's greenhouse gas emissions. Therefore, any initiative which helps to divert edible food from landfills or disposal streams can help reduce greenhouse gas emissions. A Metro Vancouver study estimated that a tax credit for food donations could reduce emissions by an amount equal to removing 275,000 cars from the road.

Under the proposed tax incentive plan, businesses would be offered a tax credit linked to the fair-market value of food donated to charities serving Canadian households. Eligible recipients of donations would be charitable, food community organizations including food banks, shelters,

community kitchens, etc. It is estimated that the food industry could reduce its operating costs by 15%-20% by reducing food waste. Socially, donated food would help to bring food and nutrition to food-insecure households, thereby helping to improve public health.

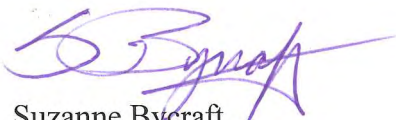
This initiative would also support the recent food waste disposal ban at regional facilities, implemented by Metro Vancouver in a staged fashion, commencing January, 2015.

Financial Impact

None.

Conclusion

The National Zero Waste Council's food waste reduction federal tax incentive proposal offers economic, financial and social benefits, and therefore aligns with the City's overall sustainability agenda. It is recommended that the proposal be supported and that this resolution be forwarded to the Federation of Canadian Municipalities (FCM), requesting that the FCM urge the government of Canada to implement tax incentives for food producers, suppliers and retailers to donate unsold, edible food and that this resolution be considered at FCM's upcoming Annual General Meeting.



Suzanne Bycraft
Manager, Fleet and Environmental Programs
(604-233-3338)

SJB:

- Att. 1: National Zero Waste Council Draft Resolution Letter
- Att. 2: National Zero Waste Council Webpage – Food Working Group
- Att. 3: National Zero Waste Council Tax Incentive for Food Donations, Briefing, Fall 2015



Canada united in the achievement of zero waste, now and for future generations

Draft Member's Motion

Recommendations

Councillor [NAME],

Seconded by Councillor [NAME],

Recommends that:

1. Mayor and Council support the National Zero Waste Council's food waste reduction federal tax incentive proposal and urge the Government of Canada to implement tax incentives for food producers, suppliers and retailers to donate unsold edible food, thereby, reducing unnecessary food waste, decreasing disposal cost to municipalities, reducing the environmental impact of food waste and addressing the issue of hunger and poverty in our communities.
2. Mayor and Council forward this resolution to the Federation of Canadian Municipalities (FCM), requesting that FCM urge the Government of Canada to implement tax incentives for food producers, suppliers and retailers to donate unsold edible food and that this resolution be considered at FCM's upcoming Annual General Meeting.

Summary

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](#)).

A major policy report published in October by the Ontario Waste Management Association and national partners recommended "tax incentives and ...government procurement policies to avoid the creation of food waste through mechanisms like food donation programs." ([Rethink Organic Waste: A circular strategy for organics](#)).

More follows.../

Attachment 1 (cont'd)

The tax incentive proposed would not address the systemic causes of poverty and food insecurity; rather, it is one of a suite of tools needed to address the growing problem of food waste, which would also alleviate suffering.

Food Working Group

- National Zero Waste Council

- Food

Preventing food waste is a huge opportunity for Canada's economy and efforts to reduce poverty. The wasting of edible food costs us at least \$31 billion every year, in production, shipping and lost market value, according to research by VCM International (2014). Organic waste, largely food, produces 3% of Canada's greenhouse gas emissions (half that of the oil, gas and mining sector). This hurts our economy, municipalities and environment. The impacts of this waste, however, are most keenly felt by food charities and those they serve: some of the 1.1 million Canadian households with moderate to severe food insecurity.

Inefficiencies in the supply chain account for about half of all food waste in this country; consumers account for the rest. Causes run the gamut from technological limitations in equipment and packaging to risk perception and wasteful behaviour among employees, managers and consumers, according to Provision Coalition (2014).

Studies also show that collaborative approaches across different sectors – by managers, employees, suppliers, service providers, consumers, food banks, regulators, etc. – produce the best results in reducing food waste. These can take the form of education, information-sharing, pilot studies and advocacy for legislative and regulatory reform, among other approaches.

With this in mind, the National Zero Waste Council's Food Working Group brings together representatives of key sectors to collaborate in the development of policies, actions and harmonized approaches that address "avoidable" food waste, nationally. This includes recent advocacy for a federal government tax incentive to encourage the donation of larger volumes of edible food to charities offering public assistance.

Tax incentive to prevent food waste

In October 2015, members of the National Zero Waste Council began advocating for a federal tax incentive to encourage businesses to donate more edible food to charitable organizations.

The aim is to divert larger volumes of edible food from the waste stream, nationwide. Diverting organic waste from landfills is a priority for many local governments, and edible food remains a major part of this. The equivalent of 300 million meals wind up in Canadian landfills every year. About 40% of this is generated by producers and suppliers, at a significant cost to cities and towns; our environment, particularly with respect to GHG emissions from landfills with high organic content; and Canadian citizens, where nearly 1.6 million Canadian households currently suffer from food insecurity.

Attachment 2 (cont'd)**How can you help?**

Municipal members and supporters: Please speak to your municipal council about taking forward a resolution that supports a tax incentive for businesses looking to donate edible food. In the fall of 2015, the City of Toronto and other municipalities across Canada are expected to approve resolutions calling on the federal government to introduce such an incentive. A draft motion along with a briefing note are provided for local governments to use at their discretion.

- [Tax incentive issues brief](#)
- [Summary of research on tax incentive options](#)
- [Draft municipal resolution](#)

Business and community members and supporters: Please read the draft motion and briefing note. The [executive summary of a Conference Board of Canada report \(May 2015\)](#) provides further background. You may want to discuss this initiative with employees, and promote the tax incentive proposal through your networks. Please see our [frequently asked questions](#) for more information, or contact denise.philippe@metrovancover.org or james.boothroyd@metrovancover.org

- **WORKING GROUP MEMBERS**

- **Mike Layton**, Councillor, City of Toronto (Co-lead)
- **Allen Lynch**, Representative, Solid Waste Association of North America (Co-lead)
- **Michael Goeres**, Executive Director, Canada Council of Ministers of the Environment, Manager of Solid Waste Resources (Acting), Halifax Regional Municipality
- **Andrew Marr**, Senior Engineer, Solid Waste Services, Metro Vancouver
- **Maryam Mofidpoor**, Environmental Management Officer, Waste Prevention Section, Environmental Standards Branch, BC Ministry of Environment
- **Annette Synowiec**, Waste Management Planning, Solid Waste Management Services, City of Toronto
- **Shawn Pegg**, Senior Policy Advisor, Food Banks Canada
- **Philippe Ozga**, Senior Manager of Government Relations Food Banks Canada
- **Marie-Claude Bacon**, Senior Director, Corporate Affairs Department Metro Richelieu Inc.



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.¹ 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.

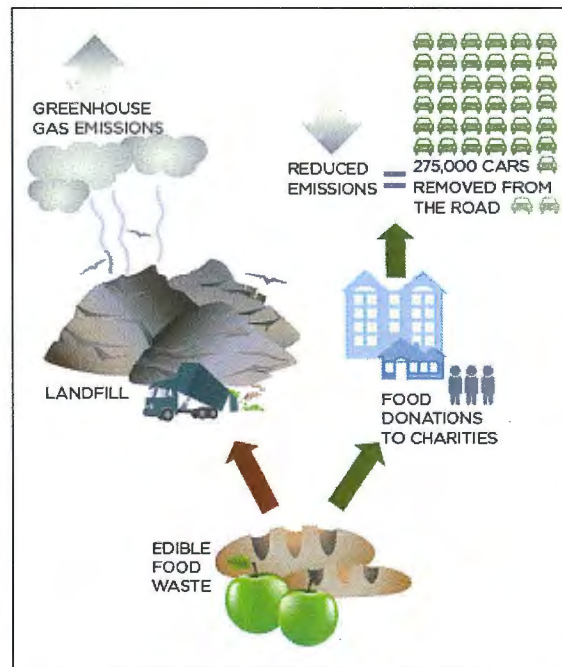
Solution: Offer businesses a simple tax credit linked to the fair-market value of food donated to charities serving Canadian households in need.

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).² 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.



Attachment 3 (cont'd)



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

¹ For brevity, this document does not offer references. For details, please email james.boothroyd@metrovancover.org and denise.philippe@metrovancover.org.

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

<i>Bread Donation Under the Current Practice</i>		<i>Bread Donation with proposed tax reduction</i>	
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.		<i>Calculation of taxable income</i>	
<i>Calculation of taxable income</i>		Sales of bread	\$ 50,000
Sales of bread	\$ 50,000	Plus the cost of bread donated to charity	+ 500
Plus the FMV of bread donated to charity	+ 1,000		
		Income	\$ 50,500
Income	\$ 51,000	Less production costs	- 25,500
Less production costs	- 25,500	Net income	\$ 25,000
		Less tax deduction for donated bread (limited to 2x the cost)	- 1,000
Net income	\$ 25,500	Taxable Income	\$ 24,000
Less tax deduction for donated bread	- 1,000		
Taxable Income	\$ 24,500		