

A tax incentive to prevent food waste in Canada

ISSUES BACKGROUNDER | SUMMER 2016

Purpose: Provide a rationale for the federal government to introduce a tax incentive that would divert nutritious food away from landfills, towards charitable organizations that contribute to community resiliency.

Problem: Food waste is a global challenge. According to the UN Food and Agricultural Organization (FAO), up to one third of all food produced is wasted, which it notes “is an excess in an age where almost a billion people go hungry and represents a waste of labour, water, energy and other inputs that went into producing that food.”¹ The FAO also found that if food waste were a country, it would be the third largest emitter of greenhouse gases on the planet, behind the United States and China.²

Initial calculations indicate Canadian businesses that process food, sell food or provide meals are sending about 165,000 tonnes of nutritious food to landfills every year.³ This includes non-perishable and unspoiled perishable foods that are safe for human consumption; examples include overstocked bread, packaged hummus close to its “best before date” and leftover fruit and vegetables from large events. The costs of dumping so much food include lost opportunities to build more resilient communities, higher food prices (to pay for increased disposal) and landfills emitting higher levels of methane, a potent greenhouse gas that contributes to climate change.

The reasons underlying these staggering levels of food waste are numerous and complex, but the associated social, economic and environmental impacts compel us to take action. Preventing food waste requires a multifaceted approach, involving farmers and other businesses the length of the food supply chain, as well as governments, NGOs and community organizations, academics and consumers.

Solution: The National Zero Waste Council believes that a national food waste reduction strategy, with a suite of tools, is needed to tackle this multifaceted problem. A relatively simple tool to introduce, as part of this strategy, would be a federal tax incentive for manufacturers, retailers and others in the food industry to donate nutritious food to registered charities supporting local communities. Carefully designed, as a tax credit or deduction, this incentive would offset the costs of operational changes required to separate nutritious food from food that should be discarded and to store, and possibly transport this food to registered charities. Eligible recipients would include food banks, community kitchens, food hubs and other charities.

Other considerations: In addition to a tax incentive to increase donations of nutritious food, other fiscal tools and programs should be developed to facilitate the physical transfer of nutritious foods to charitable organizations. ReFED, a coalition of US business, non-profit, philanthropic, and government leaders working to reduce food waste, identifies tax incentives as important in recovering nutritious food. To be effective, though, these must be accompanied by investment in enabling infrastructure, such as cold storage, transportation, value-added processing and internet platforms that quickly match and connect donors with recipient organizations in need of food donations.⁴

¹ Food Loss and Food Waste webpage. Food and Agricultural Organization of the UN. <http://www.fao.org/food-loss-and-food-waste/en/> retrieved on June 23, 2016

² Food Wastage Footprint: impacts on natural resources Summary Report 2013. FAO <http://www.fao.org/docrep/018/i3347e/i3347e.pdf>

³ Internal memo. Metro Vancouver. December 2014.

⁴ A Roadmap to Reduce U.S. Food Waste by 20 Percent, ReFED (Rethink Food Waste through Economics and Data), 2016. Page 18. https://www.refed.com/downloads/ReFED_Report_2016.pdf retrieved on June 30, 2016.

This proposal aims to redirect nutritious food that would otherwise be discarded by food processors, wholesalers, distributors, grocery stores, restaurants, food services and institutions. It does not include agricultural producers because their business models differ significantly and waste from farms is seldom managed by urban authorities. The provinces of Ontario, Quebec and British Columbia have developed tax incentives aimed at farmers, specifically.

Support for fiscal measures such as this incentive is strong, here and abroad. Nineteen local governments across Canada – Halifax, Montreal, Ottawa, Calgary and Metro Vancouver, among them -- have already formally supported the Council's federal tax incentive proposal. These resolutions have been forwarded to the Federation of Canadian Municipalities for consideration.

France became the first nation to ban the disposal of edible food by supermarkets. Beginning in February 2016, large food retailers must now donate unsold food to charities, a move that is estimated will result in millions more meals for needy families and individuals. Other countries, such as Spain and the US, already provide financial incentives to businesses for food donations.

Food waste in Canada: Per capita, among nations of the Organization for Economic Cooperation and Development (OECD), Canadians are among the greatest generators of waste. This includes large amounts of food waste with the associated social, economic and environmental costs. As well as strengthening communities, the diversion of nutritious food from the waste stream will help our economy. In an authoritative study, Value Chain Management International estimates that the quantifiable cost of food waste in Canada is at least \$31 billion and that businesses in the food supply chain could reduce operating costs by 15% to 20% by tackling this problem.⁵

GHG emissions from the disposal of organic material in landfills is estimated to be about 4% of the national greenhouse gas inventory, and food waste is more than half of all organics disposed nationwide⁶; therefore, diverting food waste from dumps would help Canada reach its goal of reducing greenhouse gas emissions by 30% by 2030. This would also prevent the waste of water, energy and land used to produce this food.

Conclusion: The Council's proposed tax incentive would offset the financial costs to corporate food donors of separating, storing and donating nutritious food, thus helping divert larger volumes of nutritious food away from landfills. To be effective, the incentive would have to be designed for a range of businesses that contribute significant volumes of food waste, including food processors, wholesalers, grocery stores and food services for institutions. This fiscal measure would align well with strategies and legislation being introduced elsewhere in the world and deliver significant social, economic and environmental benefits.

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

⁵ "\$27 billion" revisited: The cost of Canada's annual food waste. 2014. Martin Gooch and Abdell Felfel.

<http://vcm-international.com/wp-content/uploads/2014/12/Food-Waste-in-Canada-27-Billion-Revisited-Dec-10-2014.pdf> retrieved on June 30, 2016.

⁶ National Inventory Report 1990-2014: Greenhouse Gas Sources and Sinks in Canada – Executive Summary. Environment Canada <https://www.ec.gc.ca/ges-ghg/default.asp?lang=En&n=662F9C56-1>