



STAFF REPORT ACTION REQUIRED

Local Food Procurement

Date:	June 14, 2011
To:	Government Management Committee
From:	Lawson Oates, Director, Toronto Environment Office
Wards:	All
Reference Number:	P:\2011\Cluster B\TEO\GM11004

SUMMARY

This report is submitted in response to a direction from the Government Management Committee from August 2010 to the Director of the Toronto Environment Office, in conjunction with the General Managers of Children's Services, Long-Term Care Homes and Services, Shelter, Support and Housing Administration (Hostel Services), Real Estate Services and Parks, Forestry and Recreation, to report back in Spring 2011 on the results of a consultant's report on strategies to achieve a 50% local food target in the City's provision of food services.

While this report does not carry substantive recommendations for short-term action on the City's part to increase the percentage of local food served at City facilities, the mid- and long-term development of increased local food content will provide greater economic and business opportunities for farmers in Ontario and food processors in Toronto and other urban centres in Ontario.

In December 2010, the City of Toronto was awarded a \$225,000 grant from the Broader Public Sector Investment Fund: Promoting Ontario Food, to assist with additional strategies to increase the amount of local food served in our facilities. Approximately \$87,000 from this grant was used to fund a consultant's study into the use of local food in City food services.

The research undertaken by the consultants, fsSTRATEGY Inc., finds that achieving a 50% local food purchasing target for City-owned facilities is unattainable at this time due to constraints and limitations of the local food system to supply local food. The consultant has also indicated a number of strategies that could be used to progressively increase the amount of Ontario grown food in City food service operations. Those strategies are highlighted in this report.

The remaining funds from the grant will be used for other projects including the development of quantity cooking recipes using seasonally available Ontario produce, a case study of the City's successes and challenges with procuring local food and the development of information to assist food service supervisors in choosing Ontario produce when cost, quality and availability are equal.

RECOMMENDATIONS

The Director of the Toronto Environment Office recommends that:

1. City Council adopt the revised local food procurement policy as presented in Appendix A of this report; and
2. City Council forward this report to the Ontario Minister of Agriculture, Food and Rural Affairs (OMAFRA) and request that OMAFRA amend the Foodland Ontario processed food definition to require only that the following two criteria be met:
 - a) products be made with a majority of Ontario ingredients (51% or greater); and
 - b) 80% of the direct processing costs be returned to Ontario,

thereby acknowledging the economic importance of local food processors and the impact they can have on increasing local food procurement.

Financial Impact

There are no immediate financial impacts associated with the adoption of the recommendations in this report.

The City of Toronto was awarded a \$225,000 grant over two years to increase local food procurement in City operations. \$100,000 of the \$225,000 was to be spent by March 31, 2011. Of that amount, \$86,608.31 was spent toward the fees associated with fsSTRATEGY's work. \$125,000 is allocated to projects to be completed between April 1, 2011 and March 31, 2012 which include: the creation of quantity cooking recipes containing high local food content, staff engagement sessions, the creation of communication materials and the development of a comprehensive case study report for distribution to other Broader Public Sector partners.

The revised Local Food Procurement Policy (presented in Appendix A) allows City Divisions to continue to work towards supporting local purchases in their operations. Any City Division that will undertake actions to facilitate the increase in local food purchases, must look for cost neutral activities and staff resources within their existing budgetary limits that will help achieve anticipated increases in local food procurement.

In addition, staff resources related to the coordination and implementation of the recommendations in this report, primarily by the Toronto Environment Office, are absorbed within the TEO's 2011 Approved Operating Budget and therefore no additional funding will be required.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

In response to adopted recommendations from the City's Climate Change, Clean Air and Sustainable Energy Action Plan, City Council at its meeting of October 29 and 30, 2008, considered and adopted a Local Food Procurement Policy for City Operations. In that report, Children's Services was identified as an initial pilot project partner with the Toronto Environment Office and both divisions were requested to report back to the Government Management Committee on the results of the first phase of implementing the policy. The Committee also requested that the Director of the Toronto Environment Office work with the other divisions which provide food services to determine the approach required to achieve a local food purchasing target of 50% local food.

The decision document can be viewed here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2008.GM18.4>.

At its meeting of November 9, 2009, the Government Management Committee received a report from the Director of the Toronto Environment Office and the General Manager of Children's Services dated June 8, 2009, which described the achievements made to that date with the Children's Services pilot project and identified that additional time was required to continue work with the key divisions.

The decision document can be viewed here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.GM26.19>.

At its meeting of August 12, 2010, the Government Management Committee received a report that recommended that the Director of the Toronto Environment Office, in conjunction with the General Managers of Children's Services, Long-Term Care Homes and Services, Shelter, Support and Housing Administration (Hostel Services), Real Estate Services and Parks, Forestry and Recreation, report back in Spring 2011 to the Government Management Committee on the results of a consultant's report on strategies to achieve a 50% local food target in the City's provision of food services. This report responds to that direction.

The decision document can be viewed here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.GM33.27>

ISSUE BACKGROUND

The City's Local Food Procurement Policy, that was adopted by Council in 2008, endeavours to reduce the greenhouse gas emissions associated with the provision of food purchased for City operations and facilities while supporting local producers and processors.

In the 2008 report, staff received direction to move forward on a local food procurement policy for city operations because of the strong linkage between greenhouse gas emission reductions and the social and economic benefits of supporting local food processors, growers and distributors.

Implementation of the Local Food Procurement Policy began in 2008 with a pilot project in Children's Services. Research work identifying the sources of food purchased for Children's Services determined that approximately 20% of purchases were locally grown and that there were opportunities to increase local food purchases at a minimal cost. The results of these efforts were presented in the staff report to the November 9, 2009 Government Management Committee meeting. Through 2009 and early 2010, Toronto Environment Office staff worked with other key divisions to determine the source of food purchased for their operations, conducted staff workshops and assisted with the facilitation of the implementation of the local food procurement policy in general.

In May 2011, the Board of Health adopted the Toronto Food Strategy which speaks to the benefits of local food procurement. This report contributes to that effort and all reports from the Consultant have been forwarded to the Medical Officer of Health.

COMMENTS

Since October 2008, significant background research on local food procurement in City facilities has been conducted, including the facilitation of the pilot project in Children's Services to determine the feasibility of increasing the amount of Ontario food served in our City facilities.

To help further the research, it was determined that a consultant with expertise in the food service industry would be equipped to provide perspective on the food service industry's ability to provide local food at a competitive price.

In November 2010, fsSTRATEGY Incorporated, a food service consultant, was hired through a Request for Proposals process to study current use of local food in city operations and to provide strategies to increase local food procurement in city operations. Funding for this work was provided through a grant received from the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) and the Greenbelt Fund through the Broader Public Sector Investment Fund in response to a grant application submitted by

the Toronto Environment Office. More information on the Fund is available at: www.ontariofresh.ca.

In total, the City of Toronto was awarded a \$225,000 grant over two years to increase local food procurement in City operations. \$100,000 of the \$225,000 was to be spent by March 31, 2011. Of that amount, \$86,608.31 was spent toward the fees associated with fsSTRATEGY's work.

\$125,000 is allocated to projects to be completed between April 1, 2011 and March 31, 2012. Projects in the design stage include the creation of quantity cooking recipes containing high local food content, staff engagement sessions, the creation of communication materials and the development of a comprehensive case study report for distribution to other Broader Public Sector partners.

1.0 CONSULTANT'S WORKPLAN

fsSTRATEGY Inc. was required to submit a series of reports addressing the following:

- the challenges and opportunities associated with increasing local food procurement in city facilities;
- other local food procurement programs and other existing policies;
- an overview of the food industry structure and its ability to assist in reaching local food purchasing goals;
- the feasibility of developing a simple and reliable system of measurement; and
- options to increase local food procurement in city divisions, including a revised Local Food Procurement Policy based on the findings of the work.

A comprehensive overview of current food service operations in the five engaged divisions was also conducted as part of the consultant's workplan.

Three city divisions, Children's Services, Long-Term Care Homes and Services and Shelter, Support and Housing Administration (Hostel Services), spend approximately \$11 million a year on purchasing food for 7,600 clients on a daily basis. Real Estate Services leases space for various food related uses, including restaurants and cafeterias. Parks, Forestry and Recreation offers food services via third party leases to snack bar concessions, restaurants and cafes. Specific details on operations in each division are available in Appendix B.

2.0 CONSULTANT'S OVERALL FINDINGS

fsSTRATEGY's overall analysis and findings on the feasibility of increasing local food procurement in City facilities are detailed in this report. The first section describes the

opportunities the City has to increase the volume of Ontario grown and processed food in its operations and the second section itemizes the challenges that must be taken into account when considering the extent to which local food procurement can be increased.

Food Purchasing Strength of the City

fsSTRATEGY was asked to determine the financial influence the City's annual food expenditures have on the local food market and Ontario food service industry in general. Their research, which used estimations of the total commercial and non-commercial food sales in Canada, Ontario and Toronto found that the City's foodservice purchasing power is relatively low. Using food purchases across the five engaged divisions, the estimated share of food purchases in Toronto is 1.2%. The estimated share of city divisional food purchases in Ontario and Canada are 0.23% and 0.09% respectively.

These numbers indicate that while establishing a policy that recognizes the importance of supporting Ontario farmers and the local food economy is valid and meaningful, the actual purchasing power of City divisions will not impact the food system as a whole.

Local Food Purchasing Targets

Based on the research and analysis conducted into the ability of the local food system to consistently supply local food, fsSTRATEGY believes that the current target of 50% local food purchasing is not achievable. Instead, fsSTRATEGY suggests that the City take a measured and staged approach to increasing its use of local foods by setting escalating targets reflecting a two percentage point increase over the current level per year (approximately 12%) to an end target in 7 years of 25%. The methods and options by which the City can achieve this goal are set out in the following section. The estimated additional cost of reaching 25% local food purchasing could reach \$125,000 annually, depending on the actions taken.

Options to Increase Local Food Procurement in City Operations

In order to achieve the proposed target of 25% local food purchases in City operations, fsSTRATEGY has presented the following options:

1. Adopt the proposed local food policy based on their findings, set out in Appendix A.
2. Fund facilitation by allocating staff resources to:
 - a) Monitor performance;
 - b) Educate City staff and the broader public on local food procurement;
 - c) Provide divisional support; and
 - d) Champion the local food program.

3. Increase the number of available local products by:
 - a) Moving to a common prime vendor for the Children's Services, Hostel Services and Long-Term Care Homes and Services divisions which will increase buying power and make local choices more viable;
 - b) Seek out common menu items that are candidates for local products; and
 - c) Find suppliers that can provide local products and work with distributors to help bring them to market (i.e. value chain approach).

4. Support and educate City staff, clients and the public by:
 - a) Providing order guides of available local food items available from city vendors to staff members responsible for ordering food; and
 - b) Develop a public relations campaign for city run foodservice operations to communicate to clients the benefits of local food and the initiatives the City is undertaking to increase their use.

5. Contract a consulting chef to assist with local food recipe development for additional divisional support, where required.

fsSTRATEGY has also indicated a few additional strategies that could be employed to increase local food procurement over the long term. These strategies include:

- Lobbying provincial entities to consider modifying the current definition of local products, which focuses mainly on locally grown foods and a narrow definition of locally processed food. Facilitating a change to include locally processed products that contain 51% or greater Ontario food (as opposed to 100% Ontario food) would incorporate and recognize the economic value that Toronto processors are adding to the local and provincial economies;
- Work with food processors to develop suites of products which would contain local ingredients and be processed in Toronto;
- Allocate additional financial resources to pay the premiums associated with food processors making specialty products using local ingredients for City operations;
- Support and participate in provincial programs related to local food procurement; and
- Explore collaboration with other groups and jurisdictions to identify and develop local food products.

The consultant notes that it is not possible to accurately predict the percentage increase that might be possible with these initiatives. A conservative estimate suggests that an additional five percent, over and about the 25% target, is possible over the long term, particularly if the definition of local processed products is adjusted.

Opportunities to Undertake Consultant Options

The work of the consultant highlights that the global and local food industries are not in a position to guarantee that they are able to provide locally produced foods to the food service industry at reasonable and competitive prices. Nor are food suppliers, manufacturers, processors and distributors able to definitively verify that their products are local.

We suspect that the amount of Ontario produced foods in our operations actually exceeds the amount of our established baseline, but due to the structure of the food service industry, it is not possible to determine a firm and accurate percentage.

City staff have considered the series of potential options that were presented by the consultant and are of the opinion that any items that incur additional costs should not be undertaken in light of current financial constraints. Staff will continue to pursue cost neutral activities, or activities that are supported by grant monies received from the Greenbelt Fund to help achieve increases in local food procurement.

For the environmental and economic reasons that have been identified earlier in the report, we feel there is value in maintaining the Local Food Procurement Policy. Over time, market forces will provide additional opportunities to increase Ontario purchases.

To ensure that work continues with the Local Food Procurement Policy and achieving some of the cost neutral options described by fsSTRATEGY, biannual meetings of representatives from Children's Services, Long-Term Care Homes and Services and Hostel Services will be held.

3.0 FOOD INDUSTRY STRUCTURE IMPACT ON LOCAL FOOD PROCUREMENT

Changes in the food service industry are constant and rapid as a result of fluctuations in the marketplace. While there is a growing interest in Ontario-grown and Ontario-processed food, many food service vendors (distributors and direct delivery suppliers) and food processors cite numerous obstacles when asked about their ability to provide a consistent supply of local food. The key issues for vendors are:

- **Identification of local products:** City vendors indicated that many processors are unable or unwilling to determine whether their product uses local ingredients, particularly value added products (i.e. canned, frozen, chopped, cooked) with multiple ingredients. Ingredient sources can vary depending on market conditions and if Ontario products do not meet cost, quality and availability specifications they will not be used. Further, there is no requirement for processors to identify the source of their products on labels.
- **Food safety:** Many large scale vendors require that their products come from facilities that are federally inspected and Hazard Analysis Critical Control Point

(HACCP) compliant. These companies require federal inspections in order to export dairy and meat products internationally. Many smaller Ontario local meat processors and abattoirs are only required to be provincially inspected. Therefore many of them are eliminated from serving large scale food service vendors and thus the supply is greatly reduced for local meats.

- **Price:** Vendors strive to get the best possible price for their customers in order to remain competitive. If an Ontario product cannot compete with a cheaper identical import, the vendor will not choose it. Carrying that more expensive Ontario product for a small number of customers is not feasible for the vendor.
- **Flagging and tracking local products:** Most vendor ordering systems do not have a way of flagging local products. This may be due to the lack of a common definition of local across regions or provinces. Vendors are not able to track local products in every market they serve. Recent information does indicate that major distributors are working towards revising their systems to allow for the coding of each item as Canadian and by province of origin, when the information is available.
- **Product handling, packaging and fill rate:** Foodservice vendors look for products that will help them achieve a high rate of satisfaction for customer orders, including ensuring that quality products are in stock and consistently available for delivery. This isn't possible with products that spoil quickly, even if those same products are perfectly suitable for retail sales where the product is used immediately on purchase. In some instances, Ontario products are not suitable for foodservice due to handling and packaging techniques that do not allow for an extended shelf life.

The key issues for processors are:

- **Supply Chain Complexity:** Some processors indicate that sourcing Ontario grown ingredients for their inventories adds complexity to their operations, particularly when they are more expensive. This adds cost to their processes. Processors must purchase ingredients at the best possible price in order to remain competitive. Purchasing more expensive ingredients would require volume and price guarantees from buyers to cover the additional buying, warehousing and logistical costs.
- **Guaranteed Supply:** To remain competitive, processors require a guaranteed supply of ingredients and are resistant to relying on a single supplier in the case of a supply disruption. If the availability of an Ontario ingredient is limited to one supplier, the risk of stocking that item is too great.
- **Price:** Ontario products need to be priced competitively, particularly if the cost of using them creates complexity in the supply chain.

The above challenges are a strong indication that the structure of the local and global food industry needs to shift to accommodate more local products in order for local food procurement policies based on food service operations to succeed. There is every indication that the growing local food movement is encouraging major food service distributors and processors to take a closer look at the issue and adjust some of their practices, but it will be a number of years before distribution, processing, growing and purchasing systems align.

City of Toronto Food Service Operation Challenges

Through their work, fsSTRATEGY Inc. identified a number of challenges that hinder progress to increase local food procurement in City facilities. Divisions that provide food services need to balance the nutritional needs and preferences of their clients, the budget available to them and all City and Provincial policies that affect their daily operations. Issues specific to the ability of City foodservice operations to increase the use of local foods include:

- **Use of Value Added Products:** City operations rely on food products that have been processed (i.e. canned, frozen, chopped, cooked) by a food processor. Value added products save preparation steps in foodservice operations and therefore saves on staff time and labour costs. Over the past decade, provincial food processing infrastructure has diminished and many of these products are not available from local suppliers as a result.
- **Operational Variances:** The food needs and preferences of the clients in each division vary significantly. As such, menu planning, food purchasing, applicable regulations, employee skill sets and available food service facilities do not align. These factors make it difficult to facilitate cross-divisional buying.
- **Other Options:** fsSTRATEGY also investigated other options that might increase local food procurement in city operations. Examples include increased "from scratch" production, building a central commissary/kitchen and collaborating on purchases with similar operations in other jurisdictions. Each option carries considerable financial implications.

Third-Party Food Service Operations

In addition to the above challenges, fsSTRATEGY Inc. has determined that requiring the use of more local food in the City's third party leased foodservice operations in Real Estate Services and Parks, Forestry and Recreation is not practical and it is recommended that they be removed from the Local Food Procurement Policy. Imposing regulations on third party vendors to purchase local food for their operations affects already thin margins and fsSTRATEGY notes that this requirement acts as an additional burden on the lessee and will either reduce rent offers or cause potential proponents to lose interest in leasing the City's foodservice premises.

System of Measurement and Baseline Data

To determine the current level of Ontario food purchases in city facilities, fsSTRATEGY developed a database using 2010 purchasing reports from each of the vendors for each of the three City divisions preparing and serving food to clients – Children’s Services, Hostel Services and Long-Term Care Homes and Services. Similar research work was done by City staff in 2009.

Across the three divisions, products are purchased from approximately 580 processors, producers and suppliers. In order to simplify the work, it was determined that a supplier would be contacted only if the City’s purchases of their products exceeded 0.5% of total City purchases, or if they had been previously contacted during the initial City research phase. Filtering suppliers based on this criteria resulted in approximately 60 suppliers that were contacted, representing 69% of total purchases. Of the 60 suppliers, 21 companies responded to the consultant’s request for information.

Based on Foodland Ontario's definitions of local food (found in Appendix C), and the responses from suppliers that would participate in the analysis, the City is currently achieving an estimated average annual local food procurement of 12% Ontario grown or processed food, based on the information available at the time of the study.

The purchasing baseline research previously conducted by City staff resulted in an average of 21% annual local food purchasing, but the Foodland Ontario definitions were not available at that time. Certain criteria, specifically related to processed foods, changed the research methodology over that timeframe, therefore affecting the previously reported estimate of Ontario foods that were purchased in City operations.

To address this disparity, fsSTRATEGY also provided a local food purchasing baseline calculation using a revised definition of locally processed foods that specified that products be made with a majority of Ontario ingredients (51% or greater) and 80% of the direct processing costs be returned to Ontario. This calculation resulted in an estimated average annual local food procurement of 16%.

The work related to the baseline research indicates that reliable food source labelling and tracking mechanisms are lacking in Ontario. This information deficiency makes it difficult to provide dependable estimates on the source of all current food purchases for the following reasons:

- Research and reporting reliability is dependent on labelling and tracking by suppliers and vendors. Currently, there is no legislation requiring Ontario specific labeling of source ingredients or manufacturing locations;
- Research activities undertaken by staff in 2008 and 2009 highlighted that, in the absence of information from vendors, relatively substantial City staff resources would be necessary to identify and track food origins;

- Without reliable labelling, it is difficult to reliably determine the consistent availability of Ontario grown products from vendors; and
- The City is dependent upon accurate reporting by food suppliers and processors regarding the source of products that it receives. In some cases this may not be enough information to justify switching products.

As a result of these findings, fsSTRATEGY was asked to explore options for a simple and reliable measurement, tracking and reporting system that would not require additional staff resources or reduce the time available for direct food service. fsSTRATEGY indicated that the usage of Ontario foods can be measured based on supply or demand.

Options surrounding measurement on the supply side concentrates on contracted food service vendors tracking and measuring sales to the City. In this instance, the vendor absorbs the administrative costs of the research and reporting work. fsSTRATEGY indicates that the City might pay a premium to the vendor to conduct this analysis.

The demand side focuses on the City continuing to track and measure purchasing from vendors, which is the current method of research. The anticipated costs to the City are considerable and outweigh those associated with requiring the vendors to complete the work particularly because the City must pay administrative costs to identify local products and conduct the tracking internally which has already proven to be a time consuming and resource intensive process.

As a result, fsSTRATEGY has determined that supply side solutions to local food tracking are less expensive to implement and suggests that if the City wanted to continue tracking the level of local products consumed in the City's food service operations then language should be inserted into relevant procurement documents. The City would need to be prepared to allocate additional financial resources to the tracking function of the policy.

Considering the challenges that have been described regarding the local and global food system, the City cannot move forward on establishing a tracking system until other barriers restricting the availability and identification of local food have been removed.

CONCLUSION

Key divisions that provide food services including Children's Services, Long-Term Care Homes and Services, Shelter, Support and Housing Administration (Hostel Services), are engaged and committed to progressively increasing the amount of local food served in their facilities when all factors, including cost, quality and availability are equal.

To assist further efforts, it is essential that provincial labelling and tracking mechanisms be modified, or it is exceptionally difficult to identify the origin of food without

additional labour and financial resources to continue the research necessary on an ongoing basis by municipalities.

At this time, it is not recommended that any action identified by the consultant that would result in cost increases be pursued. We will continue to look for cost neutral activities that will help achieve increases in local food procurement.

The Local Food Procurement Policy that is presented in Appendix A, allows staff to continue to work towards supporting local purchases in their operations and keeps the opportunity available to increase local food procurement when market forces facilitate greater availability of local products.

CONTACT

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ATTACHMENTS

Appendix A: Local Food Procurement Policy
Appendix B: City of Toronto Food Service Operations Overview
Appendix C: Foodland Ontario Definitions
Appendix D: fsSTRATEGY Executive Summary

APPENDIX A

LOCAL FOOD PROCUREMENT POLICY

Background

On May 1, 2008, a Staff Report was issued to the Government Management Committee on the Proposed Local and Sustainable Food Procurement Policy and Implementation Plan. This Staff Report included a draft Local and Sustainable Food Procurement Policy. Based on work completed since that time, the Local Food Procurement Policy has been revised in this document.

Definitions

The following definition of local food will be adopted:

- **Fresh foods** means the product must be grown in Ontario and adhere to the Foodland Ontario definitions.
- **Value added or Processed foods** means that the primary agricultural ingredients (e.g., chicken in chicken pot pie) and the majority¹ of remaining ingredients must be of Ontario origin and/or 80% of the processing costs must be returned to Ontario, or any amended definition provided by Foodland Ontario.

Implementation

All City divisions engaged in the purchase of food for operational needs will include in their procurement documents appropriate specifications to increase local content in food purchases, measured in volume and categories of food. City staff in the Children's Services, Long-Term Care Homes and Services and Shelter, Support and Housing Administration (Hostel Services) Divisions will undertake reasonable actions to facilitate the achievement of such targets and will educate City staff, clients and the public with respect to its initiatives. More specifically, all RFPs and RFQs to purchase food for City operations will include language indicating that it is a policy objective of the City to increase the percentage of food that is grown locally. Each division issuing food purchasing documents will, according to their situation and business needs, define specific criteria that must be addressed by potential vendors.

Staff may, when their divisions determine that it is appropriate:

- require vendors to provide a catalogue of the available items that meet the City's definition of local;

¹ i.e., 51 percent or greater.

- through divisional cooperation, issue joint purchasing documents to select a primary vendor for specific goods; and
- insert, in procurement documents seeking food vendors, evaluation criteria favouring local food.

Staff may also include in procurement documents requirements that potential vendors:

- indicate how they can meet the City's policy objective and defined criteria;
- identify the expected costs of local food in comparison to items that may not be produced in Ontario; and
- indicate their ability to track and calculate the percentage of local products being purchased by site and by division.

The information gained by the City may be communicated to other Broader Public Sector institutions and used to assist them with formulating their own local food procurement policies based on the context of their own operations.

Exceptions

Operations that will be outside the scope of the local food procurement policy due to the nature of operations or the already high local food content include third-party operators of concessions in the Real Estate Services and Parks, Forestry and Recreation divisions (as such operators have demonstrated they are unwilling or unable to participate). Also outside of the scope of the policy are farmers' markets, street food vendors, vending/snack machines, park vendors and St. Lawrence Market and similar venues.

Monitoring

The Toronto Environment Office, the Purchasing and Materials Management Division and the City Divisions (i.e., Children's Services, Long-Term Care Homes and Services and Hostel Services) directly responsible for implementing this policy will continually review implementation of this policy.

Appendix B: City of Toronto Food Service Operations Overview

1.1 Children's Services (CS) – Municipal Child Care Services (MCCS)

Municipal Child Care Services (MCCS) provides services to Toronto families and communities at risk, providing care for approximately 4,000 children through the operation of 57 child care centres and one home child care agency. MCCS offers integrated and inclusive programs providing a full range of before and after school, part-time and full-time care. Additionally, the Children's Services Division has service contracts with 657 child care centres and 10 home child care agencies that provide care to up to 55,000 children. These programs with service contracts with Children's Services are responsible for delivering their own food service.

Nutrition is an important part of the service provided by MCCS. Lunch and snacks are provided daily and food related activities are incorporated into the children's program. There are 37 child care centres where food preparation facilities are located on-site, 14 centres with limited kitchen facilities that utilize the services of an external caterer for all food services, and 6 centres that are located in long-term care homes (3) and hostels (3) with food catered through the kitchens in those facilities.

Menus are planned to adhere to the requirements set out by the Ontario Day Nurseries Act and the City of Toronto's Children's Services Operating Criteria. Both documents incorporate the guidelines of Canada's Food Guide. The MCCS Nutrition Unit also monitors and implements directions coming from Federal and Provincial reviews and task forces where appropriate.

The food service operation is run in accordance with the Ontario Health Promotion and Protection Act for Food Premises.

2009 Children's Services Pilot Project

As the partner in the pilot study for the first phase of the Local Food Procurement Policy, Children's Services has worked diligently for the past two years to understand the source of the products they are purchasing on a regular basis. In 2009, an additional \$15,000 was provided to accommodate any potential cost increases related to the direction provided to the supplier to purchase certain Ontario grown produce items and cheese regardless of price differential.

In addition to direction to suppliers to provide Ontario grown products, Children's Services made menu adjustments to increase Ontario grown fruits and vegetables when in season and to maximize the cost effectiveness of Ontario storage vegetables that remain less expensive than imports most of the time.

1.2 Long-Term Care Homes and Services

With an annual food budget of \$7.6 Million dollars, Long-Term Care Homes and

Services (LTCHS) provides over 2,600 residents with three meals per day, two snacks and nutritional supplements for ten long-term care homes located city-wide. The division also supplies and prepares meals for Meals on Wheels programs, Adult Day Program clients, supportive housing at contracted sites and three Children's Day Cares located within their facilities.

Each of the Homes have fully operational kitchens. The majority of items require varying degrees of food preparation but some foods currently offered are ready to serve. There is significant in-house processing required for all food items, particularly as it relates to texture modifications required in the dietary care plans for individual residents. Food modifications are managed in-house when specified for individual residents (i.e. therapeutic diets). Substantial labour is required for distribution of food within each home. Dining rooms are located on resident units and food is delivered from a central kitchen to individual food distribution points for each meal. Seasonal menu adjustments are made during Spring and Summer.

The Province of Ontario's Ministry of Health and Long-Term Care (MOHLTC) provides the bulk of operating funds through Local Health Integration Networks to Ontario long-term care homes for nursing and personal care, programming and services and accommodation costs. LTCHS is supported with a funding formula from the MOHLTC that at present provides \$7.33 a day per resident for all meals, snacks and supplements.

In addition to the \$7.33 per diem funding provided to LTCHS, the MOHLTC enforces the legislative and regulatory requirements around service provisions that must be adhered to in order to avoid Ministry orders being issued at each home.

MOHLTC requires that all menus and food offerings meet Canada Food Guide standards and have nutrient analysis that meets the Dietary Reference Intakes (DRI) for residents as established by Health Canada and be reviewed with each Resident's Council and approved by a Registered Dietitian. The dietary needs for each individual resident as prescribed by their physician and dietitian in their plan of care must be reconciled on a daily basis with the selected menu offerings. It is also necessary to monitor and document the amount of food and fluid each individual resident has eaten.

MOHLTC also requires a second choice be prepared for each entrée, vegetable sides and desserts. They must be prepared and served at the same time as the first choice and in addition, be available for all texture modified diets such as pureed, minced and minced meat diets. Data is collected on the quantities of leftover food for all residents, as well as overall to serve as information for future menu planning.

In addition to the stringent requirements from the province, staff in Long-Term Care Homes and Services make every effort to make meal and snack time a pleasurable and positive dining experience for all residents while meeting their individual dietary needs. As pleasant dining experiences often relate to the type of meal served, the menu process is driven by the wishes of the residents, through their Residents Councils. Some homes have resident committees focused solely on providing input to food service in the home.

Long-Term Care Homes and Services incorporate resident requests to the best of their ability, and Residents Councils ultimately approve the menus suggested by staff.

1.3 Shelter, Support and Housing Administration – Hostel Services

The Shelter, Support and Housing Administration (SSHA) division provides meal service at seven City-operated shelter locations. Funding for the shelters is cost shared between the Province and the City with the Provincial government providing a capped per diem rate.

\$2.0 Million dollars is spent on food service in the seven City-operated shelter locations for a wide range of clients, including infants, children and adults in facilities that range in size from 10 beds to 550 beds. On average, 1,000 people are provided with three meals per day, as well as snacks. Bag lunches are also provided for those who are not on site for meals. At two City shelter locations clients are provided with a food allowance and purchase their own supplies and prepare their own food.

Each shelter location has food preparation facilities and all menu offerings are designed to meet the standards set out by Canada’s Food Guide. Food preparation also meets the Food Safety and Nutrition Standards within the Toronto Shelter Standards guide, under which City-operated shelters and an additional 47 shelters that are funded by SSHA and operated by community organizations, are governed. These 47 sites are responsible for delivering their own food services programs as set out in the Toronto Shelter Standards document.

It is important to note that there are a variety of clients serviced by the shelter system and extensive efforts are made to meet the needs of all client groups.

1.4 Parks, Forestry and Recreation

Parks, Forestry and Recreation (“PFR”) currently has sixteen (16) third party food operators that lease or are licensed to operate at sixty-six (66) locations which include snack bars, restaurants and cafes. PFR also offers recreation programs that sometimes require the purchase of food supplies. These programs include activities such as cooking and baking.

1.5 Real Estate Services Division

The Real Estate Services Division (“RESD”) is responsible for managing the City’s real estate holdings and interests from a Landlord perspective. Within this context RESD manages a large quantity of leases to third parties occupying City owned land and buildings including some tenants who operate food-services related uses.

APPENDIX C

The following definitions are taken from Foodland Ontario's website. Additional background on how the definitions were developed can also be found on that page. <http://www.foodland.gov.on.ca/english/industry/ind-definitions.html>

Ontario beef

Ontario beef will be born, raised, slaughtered and further processed in an approved facility in Ontario. When there are not enough calves born in Ontario to meet the demand for beef, calves may be sourced from within Canada. This beef will be raised, slaughtered and further processed in Ontario. This would return more than 80 per cent of the direct costs of production to Ontario's farmers and economy.

Fresh or frozen beef steaks, roasts and other fresh cuts must be from animals less than 30 months of age; these must meet the above criteria and must be graded (Canada Grade or equivalent).

Ontario cheese

More than 90 per cent of the milk in Ontario cheese is produced on Ontario dairy farms. Up to 10 per cent of the milk used for processing in Ontario can be sourced from within Canada. The curds and whey must be produced in Ontario from Ontario dairy inputs. Any identified secondary ingredients need to be grown and produced in Ontario (e.g. strawberry cream cheese).

Ontario chicken

Ontario chicken will be hatched from eggs laid in Ontario or from newly hatched chicks which may be sourced from within Canada or the United States. These chickens will then be raised, slaughtered and processed in Ontario.

Ontario dairy products (yogurt, sour cream etc. – excludes milk and cheese)

More than 90 per cent of the milk in Ontario dairy products must be produced on Ontario dairy farms. Up to 10 per cent of the milk used for processing in Ontario can be sourced from within Canada. Any identified secondary ingredients need to be grown and produced in Ontario (e.g. peach yogurt).

Ontario eggs

Ontario eggs must be laid on egg farms in Ontario.

Ontario fruit

Ontario fruit must be grown in Ontario.

Ontario hard wheat flour

A majority (over 80 per cent) of the final volume of the product must be grown in Ontario and 100 per cent of the wheat must be milled in Ontario.

Ontario honey

100 per cent of the product must be produced, extracted and packaged in Ontario.

Ontario lamb

Must be born, raised, slaughtered and processed in Ontario.

Ontario maple syrup

100 per cent of the product must be collected, processed and packaged in Ontario.

Ontario milk

More than 90 per cent of the milk processed in Ontario is sourced from Ontario dairy farms. Up to 10 per cent of the milk used for processing in Ontario can be sourced from within Canada. Any identified secondary ingredients need to be grown and produced in Ontario.

Ontario pork

Must be born, raised, slaughtered and processed in Ontario.

Ontario processed food products

Ontario processed food products must be made in Ontario from a majority of Ontario ingredients. More than 80 per cent of the total direct costs of production must return to Ontario. Primary agricultural ingredients will meet the individual Ontario foods definition.

Example: “Ontario chicken pot pie” — 80 per cent of the total direct costs of production would have to return to Ontario and the chicken in the pie would have to be hatched from eggs laid in Ontario or from newly hatched chicks which may be sourced from within Canada or the United States. These chickens would then be raised, slaughtered and processed in Ontario.

Ontario soft wheat flour (cake and pastry flour)

Due to extensive production of soft wheat in the province, 100 per cent of the Ontario soft wheat needs to be grown and milled in Ontario.

Ontario vegetables

Ontario vegetables must be grown in Ontario.

APPENDIX D

fsSTRATEGY Inc. - Executive Summary

Background

In October 2008, Toronto City Council adopted a report supporting local food procurement with a target of achieving 50% local food (Ontario) content in its foodservice operations. Significant progress was made by the Children's Services Division in a pilot toward this goal. The City of Toronto ("the City") now wishes to undertake a study to facilitate the expansion of this program to four other divisions and to develop strategies to enable achievement of the target.

The five divisions involved in the study are Children's Services ("CS"), Long-Term Care Homes and Services ("LTCHS"), Hostel Service ("HS"), Real Estate Services Division ("RESD") and Parks, Forestry and Recreation ("PFR").

In the fall of 2010, the City engaged *fsSTRATEGY* Inc. ("*fsSTRATEGY*") to assist it in this regard.

Specifically, *fsSTRATEGY* was retained to:

1. review the foodservice operations in the five divisions to identify the extent to which local food is being currently used and identify the opportunities and challenges associated with achieving a target of 50%;
2. conduct background research of similar programs in other jurisdictions and understand the policy and regulatory framework that will affect the ability to achieve the target of 50%;
3. investigate the local food system and determine the ability and extent to which it can support the target;
4. review the City's current system used to measure local food usage and make recommendations on remediation if appropriate; and
5. develop and assess options and models to increase local food procurement in the City division.

Five Technical Memorandums (TMs) were prepared as part of this analysis). The topics of these TMs were:

- Internal Operations Review
- Review of Other Jurisdictions and Regulations
- Foodservice Supply System
- Measurement
- Delivery Model Options, Conclusions and Policy Suggestions

The study was conducted between November 2010 and March 2011.

Local Food

For the purpose of this study, local food is defined as per the definition by the Ontario Ministry of Agriculture and Rural Affairs (“OMAFRA”), Foodland Ontario.² For fresh foods, the product essentially must be grown in Ontario. In some cases, qualifiers apply to different products. For value added or processed foods, the primary agricultural ingredients in a processed food (i.e., chicken in chicken pot pie) and the majority³ of remaining ingredients must be of Ontario origin. The definition further requires that 80 percent of the processing costs be returned to Ontario.

The City has also requested *fs*STRATEGY to work with a second, more encompassing definition for processed foods. Under this revised definition, processed foods may be considered to be “local” provided the following criteria are met:

1. Eighty percent or more of the processing cost (labour, packaging, etc.) is sourced from within Ontario.
2. The majority (51% or more) of the total ingredient cost is from Ontario ingredients. It is acceptable to include ingredients that are purchased from Ontario only during that ingredient’s growing season. For example if Tomatoes are purchased from Ontario two months out of the year, it is acceptable to list the tomatoes as local provided they are factored accordingly ([Annual Tomato Cost] * 2/12 months).

Local Food Procurement – Current and Potential

Based on *fs*STRATEGY’s analysis, the City currently purchases an estimated 12% local food when using the Foodland Ontario definition of local food and an estimated 16% local food when using the modified definition of local food discussed earlier in this report.

***fs*STRATEGY believes the current target of 50% local food procurement is not achievable.** Reasons for this include:

- The current level of local procurement is an estimated 16% (using the modified definition of local food).

² The detailed Ontario Ministry of Agriculture and Rural Affairs, Foodland Ontario definitions are included in Appendix C.

³ *fs*STRATEGY interpreted majority to mean 51 percent or greater.

- In a previous analysis undertaken by *fs*STRATEGY, commercial restaurant establishments committed to using local foods appear to achieve a maximum of 25% local content.
- The CS division has some distinct advantages in its ability to maximize local food procurement (i.e., the division purchases a relatively limited number of food products making the process of local procurement less time consuming and, unlike LTCHS and HS, CS has a central menu used consistently across all locations). *fs*STRATEGY believes that the CS division, currently procuring 33% local foods, is likely close to the maximum achievable level without substantially increasing costs. For the LTCHS and HS divisions, the potential target would be lower than that of CS as they do not have these advantages.

Based on the above considerations and using the modified definition of local described earlier, a target of 25% local procurement is likely more realistic. The 25% local target might be achievable over the next five years but this would be highly dependent on several factors including:

- the progress distributors make in terms of identifying local content and tracking local items in their ordering systems; and
- the ability of Ontario growers and processors to produce more local products that meet the City's needs at competitive prices and that are compliant with distributor requirements.

Alternative Foodservice Delivery Options

A number of alternative foodservice delivery options were considered to increase the extent of local foods being used in City facilities. These include:

- **Purchasing consolidation.** Consolidation of the purchasing and identification of common products to amass sufficient scale to leverage opportunities to purchase local ingredients or local value added products that can be used by all three divisions.
- **Vendor tracking.** Vendors would be responsible for tracking the use of local products. For vendors to be interested in this additional commitment, they may require the larger purchasing volume represented by the consolidation of divisional purchasing.
- **Cooperative procurement with similar facilities.** The HS, CS and LTCHS divisions could collaborate with counterparts in other jurisdictions to identify and promote the development of Ontario products all could use.
- **Increasing the use of scratch production at HS, CS and LTCHS sites.**

- **Centralized production.** Three options were considered for the use of central facilities to increase the use of local foods: use of an existing private sector commissary, development of a new City commissary and development of a new private sector commissary.

The pros and cons of each alternative as well as the operating and capital cost considerations are discussed in detail in the main report. The incremental operating and capital costs are summarized below.

- **Vendor Tracking and Purchasing Consolidation**
 - Some distributors indicated they may charge up to 1% of purchases to take on the responsibility of identifying, flagging and tracking local products. Based on City purchases (HS, CS and LTCHS divisions) of \$11.9 million the incremental cost could be up to \$119,000.
 - If purchasing was consolidated amongst all three divisions, the potential savings could be an estimated 3.75% of the CS and HS purchases of \$4.3 million or about \$161,000. Distributors indicated that the mark up enjoyed by LTCHS (the purchaser of the greatest volume of the three divisions with a relatively low number of drop sites) would not be adversely affected by consolidating the purchasing. This assertion, however, must be tested through an RFP process.
 - Incremental management resources required to manage these initiatives would be about 0.5 FTEs or \$40,000 including wages and benefits.
 - The net impact to the City is estimated at a savings of between \$121,000 and \$2,000 depending on whether vendors charge for tracking and whether the City realizes savings through consolidation of purchasing to a primary vendor for all three divisions.
- **Incremental Cost of Local Products**
 - If the City can increase the procurement of local food from the current level of about 16% to 20% and if we assume the premium for such products is between 5% and 10%, the total potential annual incremental cost would be between \$24,000 and \$47,000 (based on annual purchases by the three divisions of \$11.9 million).
 - If the use of local products could be increased to 25% of purchases using the same assumptions, the incremental annual cost to the City would be \$53,000 to \$107,000.
 - The City would require 0.25 FTEs of management resources to coordinate product sourcing. The cost would be \$20,000 (including benefits).
 - The net annual cost to the City would be between \$50,000 and \$79,000 assuming the achievement of 20% local food procurement and between \$74,000 and \$127,000 based on 25% local procurement.

- **Savings Associated with Collaboration with Similar Operations in Other Jurisdictions**
 - Assuming 25% of the incremental new local products could be sourced with similar organizations in other jurisdictions and the greater quantities of these products would reduce the premium charged by suppliers by 50%, the potential savings on the annual incremental costs would be \$3,000 and \$5,900 (20% local procurement) and between \$6,700 and \$13,300 (25% local procurement).
 - The City would require an additional 0.25 FTEs of management resources to collaborate with other jurisdictions at a cost of \$20,000 (including benefits).
 - The incremental annual cost to the City would be \$14,100 to \$17,000 assuming 20% local food procurement and \$6,700 to \$13,300 assuming 25% local food procurement.

- **Increased Scratch Production**
 - Capital expenditures may be required for some CS, HS and LTCHS facilities to accommodate incremental scratch production.
 - Additional labour costs would be required to accommodate more scratch production in City facilities. fsSTRATEGY estimates the incremental labour cost for scratch production to be between \$830,000 and \$1.7 million.
 - fsSTRATEGY estimates the City's food purchases could be decreased by 2.5% or about \$297,000 if increased scratch production is used.
 - The annual incremental operating cost to the City if increased scratch production is used would be between \$533,000 and \$1.4 million.

- **Central Facility**
 - Capital cost for the City to build a central commissary would be between \$1.8 million and \$4.4 million (the City would require a 6,000 to 11,000 square foot facility at an estimated cost of \$300 to \$400 per square foot).

Strategies to Achieve 25% Local Food Procurement

The greatest opportunity for the successful implementation of a local food procurement policy is in the divisions where menu planning and development, and ordering systems are coordinated and foodservices are operated directly by the City (i.e., HS, CS and LTCHS). The divisions with third party operators (i.e., RESD and PFR) should not be included as operators are not able or willing to participate given the price premiums associated with some local food procurement. Requiring the third party operators to comply with this policy may adversely affect the profitability of these businesses.

The following strategies may be used in order to achieve the 25% target:

- The City considers adopting the proposed local food policy recommended in Appendix A.
- The City considers funding a staff member to facilitate the following roles:
 - championing the local food program;
 - monitoring performance of the City with respect to the local food procurement target; and
 - educating City staff and the broader public on the benefits of local foods.
- Grow the number of available local products by:
 - moving to a common prime vendor for the CS, HS and LTCHS divisions;
 - seeking out common menu items, within the three divisions, that are candidates for local products; and
 - using the value chain approach to “pull” the products through the supply chain.
- Educate City staff, clients and the public about the benefits of using local products and the initiatives the City is undertaking by developing a public relations campaign to be communicate (at all city run foodservice operations) the initiatives the City is taking to increase the use of local foods; and
- Provide an ordering tool which highlights available local food items available from the prime city vendor to all persons in the LTCHS, CS and HS divisions responsible for ordering food.
- Explore the opportunity to increase the use of the CS division’s caterer which has demonstrated a superior track record in the employment of local foods.

The City had established a target of 50% local food procurement. *fsSTRATEGY* has indicated a more realistic target may be up to 25%. Notwithstanding, the revised target levels could be raised if the following strategies were employed:

- Change the definition of local food to adjust the definition to include “and/or locally processed”. This will allow for a higher level of local food procurement being achieved. This definition would also incorporate and recognize the economic value that City processors can add to the City and the province.
- Lobby provincial entities such as OMAFRA and the Friends of the Greenbelt Foundation to consider the modification of the definition of local as identified above.
- Explore opportunities to seek out more local produce provided it may be sourced at prices comparable to those products currently sourced from outside Ontario.
- Through the value chain process, the City could work with food processors to develop suites of products, some of which would have local ingredients and all of

- which would be processed locally, to build sufficient scale to motivate local processors to use local ingredients where possible.
- To go beyond the 25% local food procurement target, the City would likely need to be prepared to pay premiums associated with food processors making specialty products using local ingredients for City operations.
 - Support provincial programs such as those developed by OMAFRA and the Friends of the Greenbelt Foundation that directly generate new local food products.
 - Explore collaborations with other jurisdictions to identify and develop food products in order to develop greater scale for these products, which in turn would make the products more attractive to processors and/or result in a lower price premium.

It is not possible to predict with accuracy the extent to which the target could be increased by these actions. Changing the definition of local would make up a significant part of this increase. The new definition of local would include foods processed but not necessarily grown in Ontario and would potentially enable the City to retain current and attract new food processors, thereby enhancing employment and contributing more to the City's tax base. It should be noted that exceeding the target of 25% would be significantly more difficult and costly to achieve and would be more long-term in nature.

Finally, one should not overlook the fact that the use of local food is not just a City of Toronto passion but one in many jurisdictions in the Province of Ontario. Market forces will no doubt facilitate greater availability of products and resources in this regard over the long term (thereby reducing the price premium for such products).