



## 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.

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# 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.

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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.

## 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.

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

## 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>4</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.

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