
2016 OPERATING BUDGET BRIEFING NOTE

Impact and Rate of Inflation on Food and the Student Nutrition Program

Issue/Background:

- At its meeting of January 18, 2016, the Budget Committee requested the Deputy City Manager & Chief Financial Officer and the Medical Officer of Health to provide a budget briefing note on the impact and rate of inflation on food and the student nutrition program.

Key Points:

- The municipal grant for the Student Nutrition Program is dedicated solely to the cost of nutritious food.
- When municipal funding keeps pace with inflationary changes in food prices, programs are better able to provide nutritious food of adequate portion sizes from a variety of food groups, thereby meeting the Student Nutrition Program nutrition standards.
- Toronto Public Health monitors the cost of healthy eating in Toronto by conducting the annual Nutritious Food Basket (NFB) survey each May, as required by the Ontario Public Health Standards. This calculation is used to prepare annual operational budget reports and forecasts for the Student Nutrition Program.
- The 2015 NFB survey results for Toronto (conducted in May 2015) indicated a 1.3% cost of food increase from May 2014. Food prices have risen significantly since May 2015 when the survey was completed. According to the December 2015 Consumer Price Index (CPI), food cost prices have increased by 4.3%¹ in Ontario from December 2014.
- City Council typically considers the food inflation rate of the previous year as determined through the NFB rather than the year end CPI food inflation rate, in order to keep in line with budget process timelines and to ensure Toronto food inflation rates are utilized.

Questions & Answers:

- **Rate of Inflation of Food**
 - While the NFB 10-year historical average of the cost of food in Toronto is 3%, it does fluctuate annually. Over a 5-year period from 2011 to 2015, the NFB percent average cost of food increase reported through the NFB survey was 13.2%. Table 1 shows the

¹ www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/cpis01g-eng.htm

cost of food increases in Toronto based on the NFB survey and Table 2 shows SNP food inflation rate increases approved by City Council since 2011. Note that the NFB from the prior year is used to project inflationary costs in food for the next budget year, i.e., food cost estimates are based on one year behind.

Table 1: Cost of food increases in Toronto based on the NFB Survey

Year	2015	2014	2013	2012	2011
NFB Food Cost Increase (%)	1.30	5.40	4.04	1.80	4.63

Table 2: SNP food inflation rate increases approved by City Council

Year	2016 Request	2015 Approved	2014 Approved	2013 Approved	2012 Approved	2011 Approved
Approved Inflation Rate Increase for SNP (%)	1.3	5.4	4.0	6.4 ²	0	0.6

- The cost of food fluctuates as a result of various pressures and has recently been significantly impacted by a low Canadian dollar and recent drought in the US.
- Ontario food prices are estimated to have risen overall by 4.3% since December 2014, higher than forecasted¹. Toronto Public Health anticipates that the 2016 NFB will be significantly higher than the 2015 NFB, which will impact the 2017 budget process and both the 2016-17 the 2017-18 academic years.
- The cost of vegetables and fruit is estimated to have increased by 9-10% over the course of 2015³. Vegetables and Fruit is a priority food group provided by student nutrition programs as most Canadian children do not eat the recommended number of servings⁴. Prices of dairy and grain products appear to have had more moderate price increases (1.5-3%³).

• **Impact of Food Inflation on Student Nutrition Programs**

- As a result of this atypical spike in food costs since May 2015, student nutrition programs are currently faced with higher food costs than budgeted for.
- For the 2016/17 academic year, the requested 1.3% inflation rate or \$109,053 net increase for food will not be sufficient as food prices have risen significantly since the NFB survey in May 2015. When there is less funding allocated for food inflation impact, programs tend to use the portion allocated to program strengthening to help buffer food inflation costs.
- As a result, student nutrition programs would not have enough funding available to ensure that high nutritional quality foods are served to meet the needs of the children and

² Includes two years of increased food costs based on the 2011 (4.6%) and 2012 (1.8%) NFB surveys for Toronto as no 2011 cost of food adjustment was provided in the 2012 operating budget.

³ Charlebois, Tapon et al. 2015. Food Price Report, 2016. University of Guelph Economic Brief. The Food Institute of the University of Guelph.

⁴ Garriguet, D. 2004. Overview of Canadians' Eating Habits. Nutrition: Findings from the Canadian Community Health Survey. Statistics Canada.

youth. This means that programs will likely reduce the amount of food served, reduce the quality of food served and potentially the number of days operating. Vegetable and fruit choices are expected to be impacted the greatest.

Table 3: Comparison of Budget Impact of 4.3% vs. 1.3% Cost of Food Increase

	2016 Request (Based on 1.3% NFB, May 2015)	2016 Revised Projection (Based on 4.3% CPI for Food, December 2015)
Cost of food inflation	\$109,053	\$360,715
Strengthening funding base of existing programs	\$641,509	\$666,113
Expanding to new programs	\$853,139	\$878,914
Total projected enhancement (net)	\$1,603,701	\$1,905,742

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