



**Fresh Food Tax Credit:  
An Agricultural Tax Credit for Fresh Food Donations**

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## **Fresh Food Tax Credit: An Agricultural Tax Credit for Fresh Food Donations**

### **Summary**

In Canada, there currently exist only four provinces that recognize the donations of fresh food from farmers to local food banks through a tax credit.

The province of Ontario, Quebec, British-Columbia and Nova-Scotia are at the forefront of an effort to help farmers provide healthy, locally raised or grown food to support their communities through their local food banks. Unfortunately, no other province or territory has yet to enact this important piece of legislation that helps those struggling to make ends meet.

Prior to the introduction of the tax credit - unused fresh produce, livestock, seafood and other fresh food was treated the same, from a taxation perspective, whether it was thrown into a landfill, ploughed back into a farmer's field or donated to a food bank.

This document lays out the policy that is currently helping food producers in some provinces provide fresh, nutritious food need for families in need.

**Plan:**                **Strengthen the local agricultural sectors while supplying fresh, nutritious food to Canada's food banks and the people they help.**

**Proposal:**        **Create a non-refundable tax credit that allows food growers (farmers, fishers, livestock producers, etc.) and processors to deduct from taxes owed 25%\* of the wholesale value of fresh food donated to food banks.**

***\*With the exception of Quebec which has set the value of the tax credit at 50%***

### **Why is this proposal necessary?**

In March 2015, 852,137 separate individuals, over a third of them children, were assisted by a food bank in Canada. Food bank use was 26% higher than the pre-recession levels of March

2008. Food banks in Canada have served over 700,000 individuals every month for the better part of the last twelve years.<sup>1</sup>

Food banks acquire and share 200 million pounds of food to those in need every year. While this is a significant amount of food, it accounts for only 0.3% of the value of food products manufactured in Canada each year.<sup>2</sup> The majority of food banks provide 3 to 5 days' worth of food, once per month, to the households they assist.

In a trend that began after the 2008 recession, and continued in 2015, close to a third of food banks did not have enough food to meet the need in their communities, 30% lacked adequate funding, and close to half were forced to give out less than usual. Regardless of the health of the economy, food banks have struggled for years to bring in enough food and funds to fill the gaps in family food pantries.

Nearly half of food banks are completely volunteer-run, and the majority of them receive no government funding. Less than 5% of food banks receive funding from the federal government, and the majority of food banks receiving provincial government funding are located in only two provinces, Quebec and New Brunswick.

Food banks are there for Canadians in need and there is very little government support for the work they do. Their lifeblood is donated food, yet there is no legislative support to encourage the agricultural sector to increase in-kind donations.

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<sup>1</sup> Food Banks Canada (2013). *HungerCount 2013*. Toronto: Food Banks Canada. All figures from the Food Banks Canada HungerCount survey unless otherwise noted.

<sup>2</sup> Canadian Council of Grocery Distributors, Canadian Federation of Independent Grocers & Food and Consumer Products of Canada (2006). *State of the Food and Consumer Products Industry*.

### **Agricultural Benefit**

Because it improves the bottom line for Canada's farmers, Canada's agricultural sector supports the proposed tax credit. While the value of the credit amounts only to a small percentage of the retail market value of donated food, it provides a small yet important opportunity for food producers to recoup some of their production costs.

Ron Bonnett, the President of the Canadian Federation of Agriculture (CFA), feels that the recommendations put forth in this proposal are important for their members, who represent over 200,000 farm families across Canada.

***“Many Canadian farms already donate fresh vegetables, fruits and other products to food banks, and there is a lot of room to grow. A tax credit would have a positive effect on farmers’ bottom lines, and increase the amount of nutritious food available to those in need - it’s a win on both sides.”***

- Ron Bonnett, President of the CFA

## Current jurisdictions with a tax credit

### Ontario

In November, 2013, the Ontario government passed **Bill 36**, an act to provide a 25% non-refundable tax credit for farmers who donate to food banks on or after January 1<sup>st</sup>, 2014. This important piece of legislation was the first of its kind in Canada.

Bill Laidlaw, the former Executive Director of the Ontario Association of Food Banks (OAFB) applauded this legislation as a great way to help local farmers while providing fresh, nutritious food to Ontarians in need.

***“The new tax credit is a win-win. It will help Ontario farmers who donate generously to their local food banks, and will increase the amount of fresh, nutritious and healthy food available to Ontarians who need help to make ends meet.”***

- **Bill Laidlaw, former Executive Director of the OAFB**

### Quebec

In 2015, the province of Quebec became the second province in the country to introduce a similar tax credit to Ontario.

As a direct result of the tax credit in 2015 - Quebec food banks received over 460 000 kg more fresh, nutritious food than they had in the previous year.<sup>3</sup> Furthermore, 143 new farms across the province began giving to their local food bank as a result of the tax credit.

In the province’s most recent 2016 budget, the tax credit was increased to its current level of 50%, and it also includes products such as milk, oil, flour, sugar, frozen vegetables, pasta, baby food, baby formula and prepared meals. This tax credit is now the most generous of its kind in Canada.

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<sup>3</sup> Les Banques alimentaires du Québec, 2016. <http://www.banquesalimentaires.org/budget-quebec-2016/>

### **British-Columbia**

In the provincial budget of 2016, the government of British Columbia introduced the *Farmers' Food Donation Tax Credit*.

Similar to Ontario and Nova-Scotia, the legislation creates a non-refundable tax credit worth 25% of the fair market value of agricultural product donated by farmers to community food programs, including food banks.

### **Nova-Scotia**

In the provincial budget of 2016, the Nova Scotia government introduced the *Food Banks Tax Credit for Farmers* that creates a 25% tax credit for farmers who donate to local food banks.

While the legislation of the credit has not yet been presented to the legislature, the credit is set to take effect sometime in the next year.

## How the tax credit works

The benefit provides a non-refundable credit of 25% (or more) of the wholesale value of the quantity of the product donated. The wholesale market price of the crop would be based on<sup>4</sup>:

- The amount paid to the grower by the most recent cash buyer; or
- The market price of the nearest wholesale buyer or regional u-pick market price (if there was no previous cash buyer).

### **Example**

An apple grower allows food bank volunteers to glean his orchards at the end of harvest season. Following an afternoon of work, the volunteers are able to glean 1,000 kilograms of apples.

#### *Calculation of tax credit*

Retail value @ \$3.17 per kg	\$ 3,170
Wholesale value @ \$1.70 per kg	\$ 1,700
Tax credit value @ 25%	\$ 425

The apple grower would see a reduction in tax burden of \$425 for their donation thanks to the new tax credit.

## Why every province and territory should introduce the tax credit

**The proposed Fresh Food Tax Credit already in place in certain provinces across the country not only provides more fresh, nutritious food for Canada’s food banks and families in need, but it provides a valuable cost-recuperation tax credit for farmers who donate while reducing food waste.**

As is demonstrated with the example of Quebec - in the first year of the program, food banks were able to recuperate an additional over 460,000 kg of fresh, nutritious food for people in need, while encouraging over 100 new farms to give generously to their local food banks.

The plan also represents a valuable investment for government as **every dollar foregone in revenue will result in seven dollars’ worth of food** for citizens in need while simultaneously helping farmers make ends meet.

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<sup>4</sup> The method used to determine the value of the wholesale price of the product is determined by each province and may vary. This method is used as an example only.



## **About Food Banks Canada**

Food Banks Canada supports a unique network of over 3,000 food-related organizations in every province and territory, that assists more than 850,000 Canadians each month. Together our network shares over 200 million pounds of essential, safe, quality food annually, provides social programs that help to foster self-sufficiency, and advocates for policy change that will help create a Canada where no one goes hungry. Visit [foodbankscanada.ca](http://foodbankscanada.ca) for more information.

Relieving hunger today. Preventing hunger tomorrow.

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