



FOOD COWBOY
TECHNOLOGY AGAINST WASTE

TECHNOLOGY, TAXES AND THE NEW ECONOMICS OF FOOD WASTE



FOOD COWBOY

USES LOCATION-
BASED TECHNOLOGY
TO ROUTE FOOD
"WASTE" TO ITS
HIGHEST AND
BEST USER



*"LIKE
MATCH.COM
FOR FOOD
WASTE"*

— MODERN FARMER



FOOD WASTE IN AMERICA

\$165 BILLION

Consumers waste \$165 billion worth of food each year. (The federal food stamp budget is \$80 billion a year)

44 MILLION

44 million tons of food goes to waste in the supply chain each year



25%

Food waste generates 25% of methane and is responsible for 25% of fresh water use

28%

28 percent of landfill volume is comprised of food waste



FOOD WASTE MEANS DIFFERENT THINGS TO DIFFERENT PEOPLE

TO

- **BUSINESSES** spending money on inventory that can't be sold
- **CHARITIES** throwing away wholesome food
- **ENVIRONMENTALISTS** throwing anything organic into a landfill
- **ACCOUNTANTS** leaving tax benefits on the table
- **ECONOMISTS** needlessly consuming natural resources

**WASTE
OCCURS**
WHEN THE
COST OF
TRANSFERRING
A GOOD TO A
THIRD PARTY
EXCEEDS ITS
VALUE TO
ITS CURRENT
OWNER



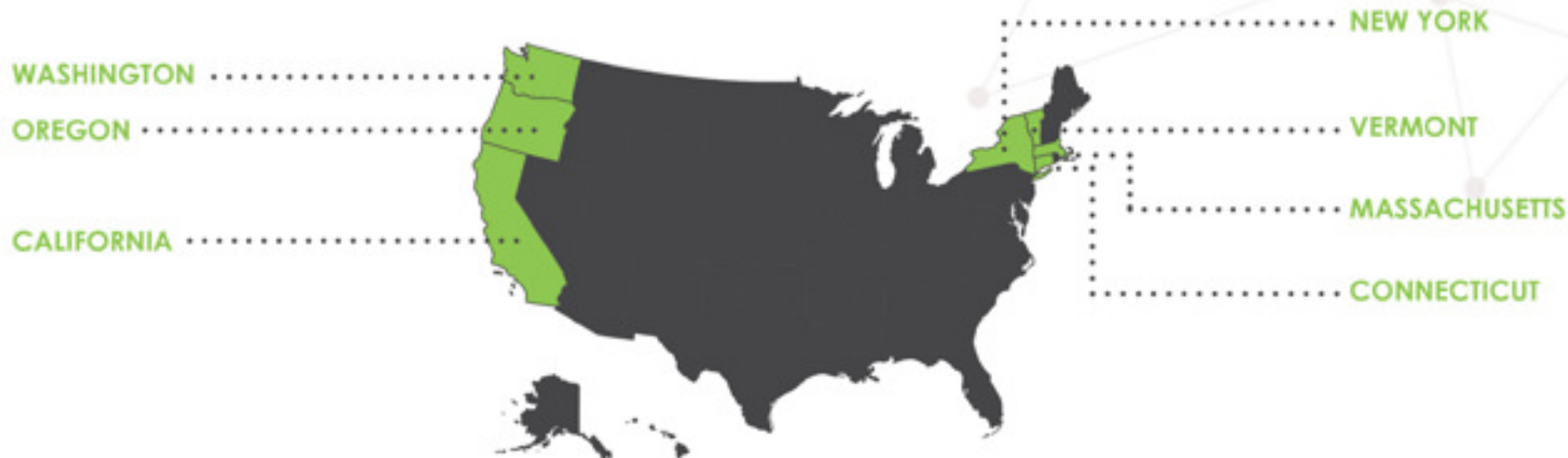
AWARENESS OF THE PROBLEM IS GROWING

GOOGLE
SEARCHES FOR
"FOOD WASTE"

SOURCE: GOOGLE TRENDS



THE REGULATORY ENVIRONMENT IS ALSO BECOMING MORE CHALLENGING



STATES THAT **HAVE ENACTED** LANDFILL BANS

REPRESENT 25% OF THE U.S. POPULATION



TAKEAWAYS FROM THE PARIS CLIMATE CHANGE CONFERENCE



AGRICULTURE
IS THE
SECTOR MOST
SUSCEPTIBLE
TO CLIMATE
CHANGE



THE WORLD
NEEDS TO
GROW
SUBSTANTIALLY
MORE FOOD



AGRICULTURE IS
A SUBSTANTIAL
CONTRIBUTOR
TO GREENHOUSE
GAS EMISSIONS



THE WORLD
MUST REDUCE
POST-HARVEST
AND POST-
RETAIL FOOD
WASTE



NEXT UP:
COP22 CLIMATE
CHANGE
CONFERENCE,
NOVEMBER 2016,
MOROCCO

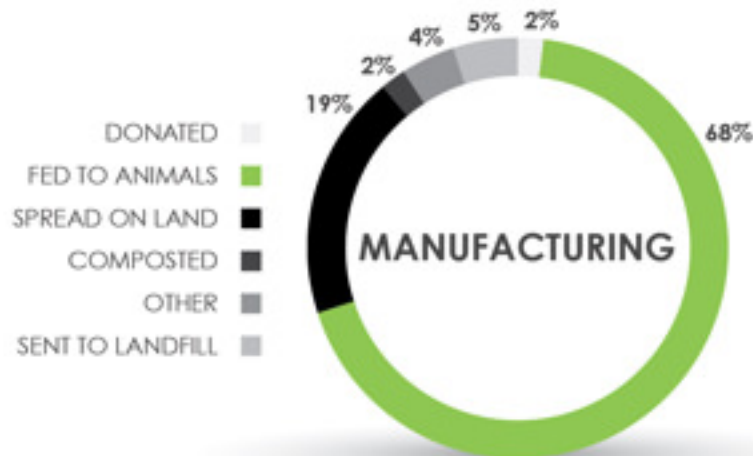
Source: Agriculture in the COP21 (Paris Climate Change Conference) Agenda. Brookings



EXISTING SOLUTIONS

DESTINATION OF DIVERTED FOOD WASTE, MANUFACTURING SECTOR

(as a percentage of the amount of food waste diverted)



Source: BSR Analysis of U.S. Food Waste for FWRA (April 2013)



TOP REASONS FOOD GOES TO WASTE

- 1 Insufficient space and refrigeration at food banks
- 2 Can't justify cost of transportation and/or on-site holding
- 3 No chain of custody in case of recall
- 4 Limitations on what food banks will accept
- 5 Tax deduction risk
- 6 Brand Risk

Source: BSR (April 2013)



FOOD COMPANIES USE TECHNOLOGY

BUT CHARITIES DON'T...BECAUSE THEY HAVE A DIFFERENT RISK PROFILE

FOOD COMPANIES

- Electronic Data Interchange (EDI)
- Freight Management Systems (FMS)
- Computerized Data Acquisition
- Global Positioning Systems (GPS)
- Radio Frequency ID (RFID)
- Satellite Tracking
- Trip Recorders
- Remote Sensing



FOOD CHARITIES

- Little brand exposure
- Enormous goodwill
- Judgment proof
- Established donors
- No competition
- Little money for technology

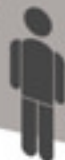


THE RESULTING LOGISTICS GAP MAKES DONATING DIFFICULT

DONORS

RIGHT NOW (24/7)
ALL OF IT
WHOLESOME OR NOT

"Get it off
my truck"



CHARITIES

"Feed us"



MON-FRI/7AM-4PM
LIMITED COLD STORAGE
NO WASTE PLEASE



THE SITUATION **TODAY**

COMPANIES DON'T

Donate or Divert
unsaleables at
economically
meaningful
levels, so...



CHARITIES AND DISPOSERS

don't develop
significant
capacity, so...

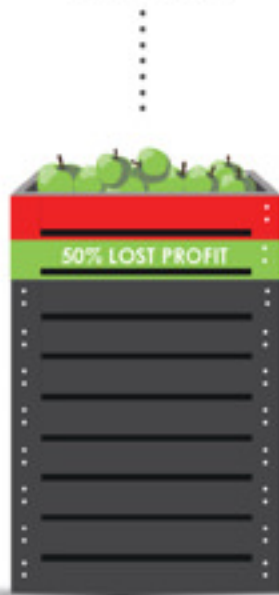


THE NEW ECONOMICS OF FOOD RECOVERY

DUMP

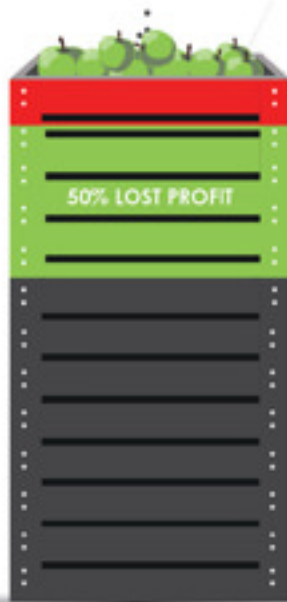


DONATE
BEFORE



DONATE TODAY

Most Growers



H.R. 2029
(DEC.18, 2015)

- Deductions now permanent
- All businesses eligible
- Growers may claim their basis as 25% of FMV
- FMV calculated without regard to defects
- Limit on qualifying donations increased from 10% to 15% of sales

Food Cowboy is not a
legal or tax advisor.



DONATING ALL ITS SUPPLY CHAIN UNSALEABLES WOULD REDUCE THE INDUSTRY'S TAX BASIS BY \$6 BILLION A YEAR

SOLD/WASTED

ALL SHIPMENTS



FRESH PRODUCE



BONUS DEDUCTIONS

ALL SHIPMENTS

RECOVERABLE
TODAY



FRESH PRODUCE

RECOVERABLE
TODAY



SAMPLE DONATION & INCENTIVE PAYMENTS

| | Before | Now* |
|--|----------------|--------------|
| Fair Market Value (FMV) | \$1,600 | \$1,600 |
| Cost of Goods Sold | <u>\$1,280</u> | <u>\$400</u> |
| "Lost" Profit | \$320 | \$1,200 |
| Special Deduction (50% of Lost Profit) | \$160 | \$600 |
| Commission on Deduction (15%) to Food Cowboy Foundation | \$24 | \$90 |
| Payments from Foundation to Food Banks/Facilitators | \$16 | \$60 |

* H.R. 2029 (2015) allows taxpayers who account for inventory under the cash method, e.g., growers, to state their costs to be 25% of FMV for the purposes of IRS Code Reg. 1.170(e)(3)(A).

