Finding, Buying and Serving Local Food
Using Forward Contracts

April 10, 2014

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Poll: Who is on the line?

Our Presenters

- Megan Kemple
  - Farm to School Program Director
  - Willamette Farm & Food Coalition
- Maggie Gosselin
  - Program Analyst
  - Food and Nutrition Service
- Christina Conell
  - Program Analyst
  - Food and Nutrition Service

Overview

- Procurement basics
- Using forward contracts to purchase local foods
- A local perspective from Willamette Farm & Food Coalition
- Questions & Sharing

Buying Local

1) What: Which types of products?
2) Where: From which sources?
3) How: The mechanics of sourcing local correctly.
   - Today: Using a forward contract to purchase local foods.
What? Which Types of Products

- Vegetables
- Meat, Poultry, and Eggs
- Dairy, Eggs, and Flour
- Fruit

What? Defining Local

Ways to define local:
- Mile Radius
- County
- State
- Region

Can vary by:
- Product
- Season
- Special event

Procurement Methods

- Small Purchase Threshold ≤ $150,000
  - Small Purchase: Requires price quotes from at least 3 bidders
  - Sealed Bids (IFBs) & Competitive Proposals (RFPs): Requires public advertising
  - Informal: Formal ≤ Small Purchase Threshold > Informal

Sections of a Solicitation

- Contract Type
- Introduction/Scope
- General Descriptions of Goods and Services (AKA Specifications)
- Timelines and Procedures
- Technical Requirements
- Evaluation Criteria

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Using Forward Contracts to Purchase Local Foods
What is a forward contract?

Technically, a forward contract is any contract established in advance of when the product is delivered.

In the context of farm to school, it often refers to a contract or agreement established with a farmer in advance of the growing season.

Benefits and Risks

• Benefits:
  » Help ensure future supply of local foods for districts
  » Help ensure a future market for farm products
  » Include flexibility if circumstances change

• Risks:
  » Supply issues
  » Changing needs and circumstances

Remember: Forward Contracts Must Still be Competitively Procured

• Just like any agreement or contract, forward contracts must be competitively procured using either the formal or informal procurement method.

• If a distributor or FSMC is establishing the forward contract, then the district’s contract with that entity must be competitively procured.

Example: Using a Forward Contract

North Carolina

• Issues a solicitation for different products every quarter.
• Not too far in advance, which allows for a steady price and more predictable quantity.
• Enables districts to have a steady supply and guarantees a market for growers.

Example: Using a forward contract

Oregon and Oklahoma

• Farm to school coordinators work with distributors
  » Connect distributors to local growers
  » Set up commitments between producers and distributors
Poll: Have you ever established a forward contract?

Using Forward Contracts: Willamette Farm & Food Coalition

About Willamette Farm and Food Coalition
Willamette Farm and Food Coalition is a non-profit organization in Eugene, Oregon, focused on creating a healthy local food system.

Benevolent broker role
• Arrange the purchases, but don’t profit from the sales
• Help districts find products they are looking for in the form they need and at a price that works for them.
• Help farms find districts that want their products

Why We Help Districts Establish Forward Contracts
• Frozen crops – might not be available if we don’t ask for them before the time of harvest
• Storage crops – might not be available at the time we want them after harvest season
• Large quantity – won’t be available if they aren’t planted, but if we make arrangements in advance farmers can plant for us

Types of Contracts We Help to Establish
• Between district, distributor, and farmer
  » In this case, the distributor has already been competitively procured by the district.
• Directly between a district and a farmer
  » In this case, a competitive informal procurement has already taken place and the forward contract is awarded to the farmer with the lowest bid.

What the Contract Looks Like

It is the intention of ____________________________ (school district) to purchase the following product from ____________________________ (farm) through ____________________________ (distributor).

It is the intention of ____________________________ (farm or processor) to grow and sell the following product to ____________________________ (school district) through ____________________________ (distributor).

Product Name: ____________________________
The total estimated quantity to be delivered: ____________________________
The time the product will be ripe: ____________________________
When it will be delivered: ____________________________
What the Contract Looks Like (cont.)

Packing requirements: ___________________________
(standard box, grade, loose pack, bulk, etc.)
Postharvest handling practices: ____________________
Other specifications: _____________________________
Cost per unit paid to farm: _______________________
Cost per unit paid by school district: ______________
Payment terms & payment process __________________

What the Contract Looks Like (cont.)

Timeline and tasks to be completed by whom and when:

Other notes:
• Farm representative: (printed name, signature and date)
• School district representative: (printed name, signature and date)
• Distributor representative: (printed name, signature and date)
This is not a legally binding document. It serves to document our intentions and agreement.

Lessons Learned

• Forward contracts are important for ensuring products are available when we need them
• They can take a lot of time
  » Grower
  » Distributor (if there is one)
  » School district
• Forward contracts are not a guarantee
  » People can make mistakes
  » Crops can fail
• Documenting who will do what and when is important

Farm to School Resources

• USDA Farm to School Website and E-Letter (at www.fns.usda.gov/farmtoschool)
• Farm to School Census
• Farm to School Regional Leads

Local Procurement Guide – Now Available!

Available at http://go.usa.gov/KAFH
(see the Resources page on the USDA Farm to School website)

Questions?