



# Buying Local with an Economic Lens


## Finding a “Win-Win” for schools and farms

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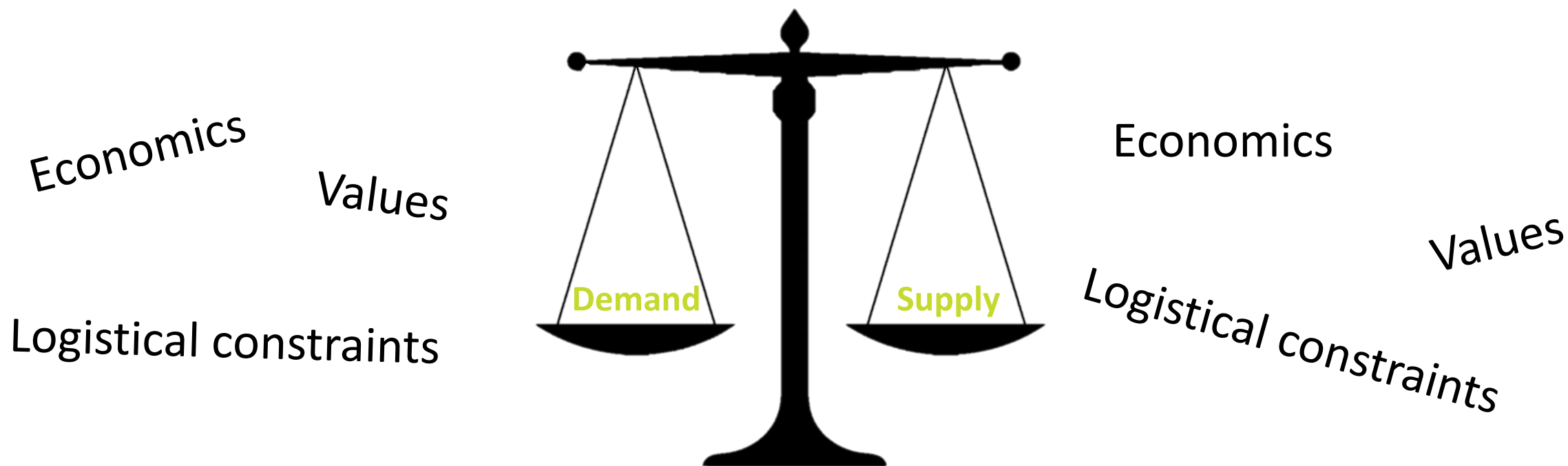


# Agenda

- Introductions
- What makes a “win-win” relationship between a farm and a school?
- What might a “win-win” local purchasing arrangement look like? (Market channels & examples)
- How can we establish “win-win” arrangements from the beginning?
- Wrap-up



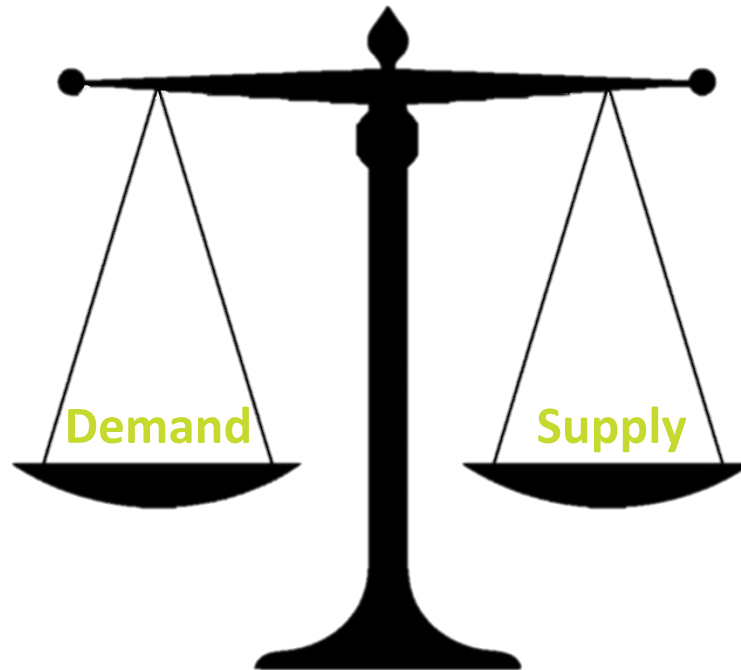
# How can local products be introduced in ways that work for both the **demand side** (school) and the **supply side** (farm/distributor/processor)?



# What scale are we talking here?

## Montana Schools

- 80,000 lunches per day, 13 million lunches per year
- \$22 million spent on lunches each year
- \$2 million of that spending is local (9%, excluding milk)



## Montana Producers

- \$22 billion total agricultural sales
- More than \$8.6 million sold to direct-to-consumers, or marketed as “local” to retail, institutions or food hubs



# Demand Side (School) Expenses

Average lunch costs  
around \$4.00 to produce.



Food: 45%

Labor: 45%

Supplies, equipment,  
utilities, etc: 10%



# Demand Side (School) Revenues



USDA National School Lunch Program  
Reimbursement: 45%

Student Payments  
for Meals: 24%

A la Carte  
Sales: 16%

State & Local  
Funds: 9%

Other: 1%





## Quiz

- What are the two major categories of expenses for schools making school meals, which together total 90% of total meal costs?



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## Quiz

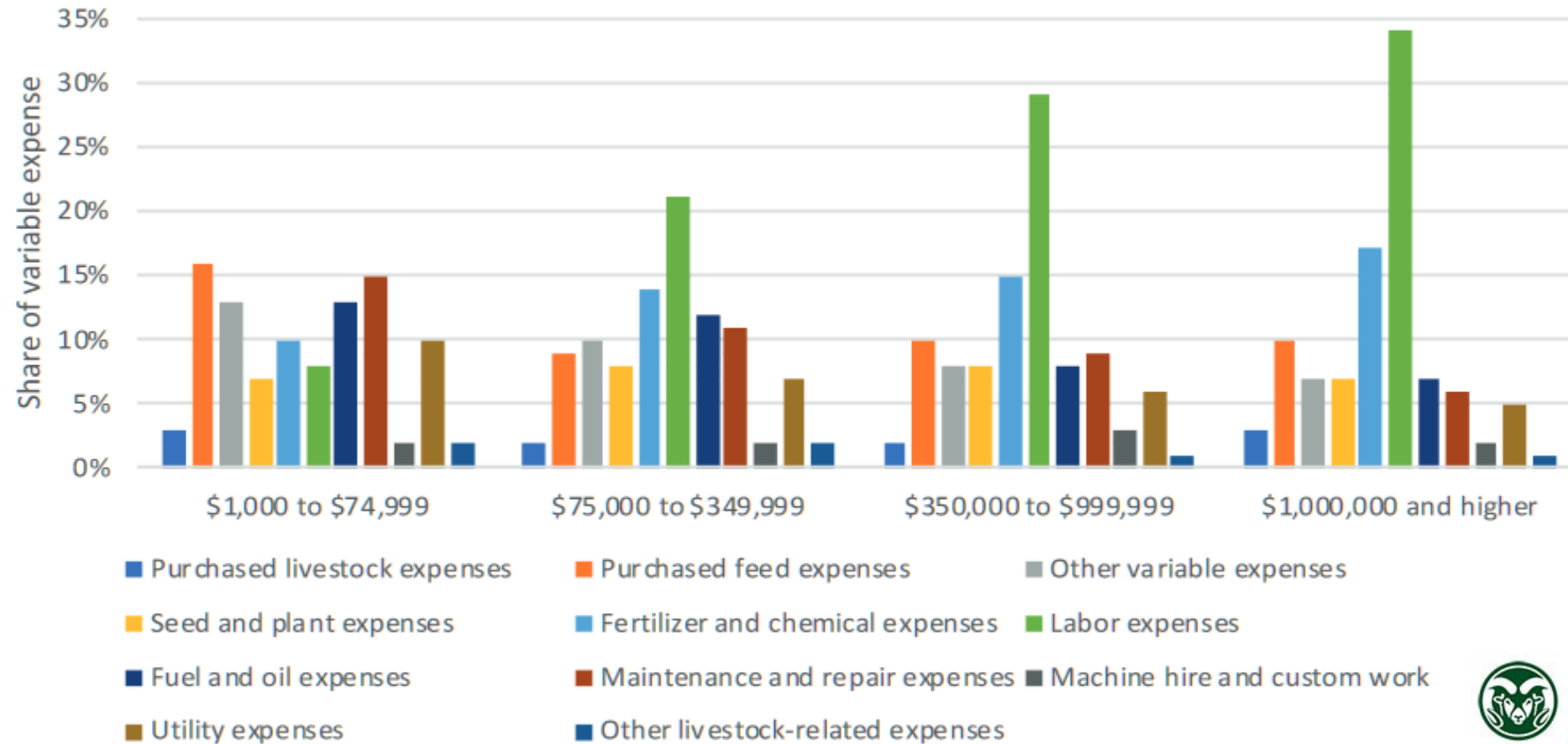
- What are the two major categories of expenses for schools making school meals, which together total 90% of total meal costs?
- **FOOD and LABOR!**



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# Supply Side (Producer) Expenses

## Average Share of Variable Expenses for Local Producers by Scale, U.S.



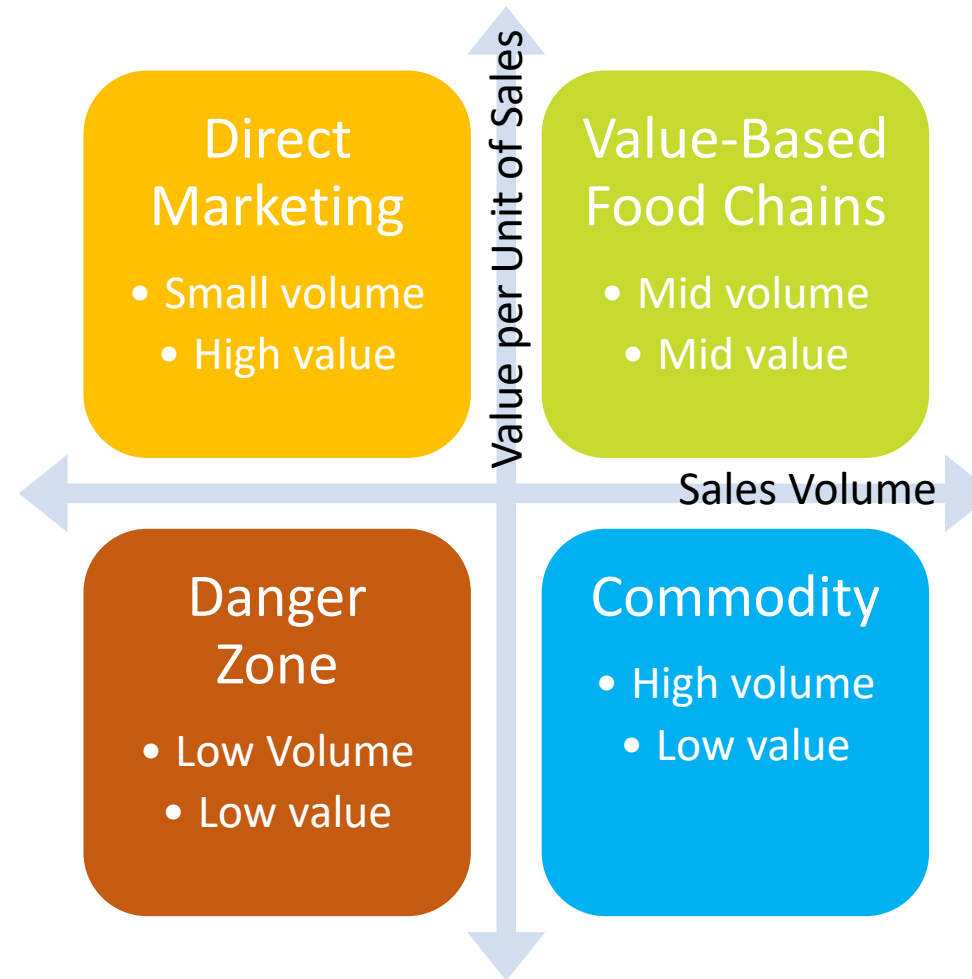
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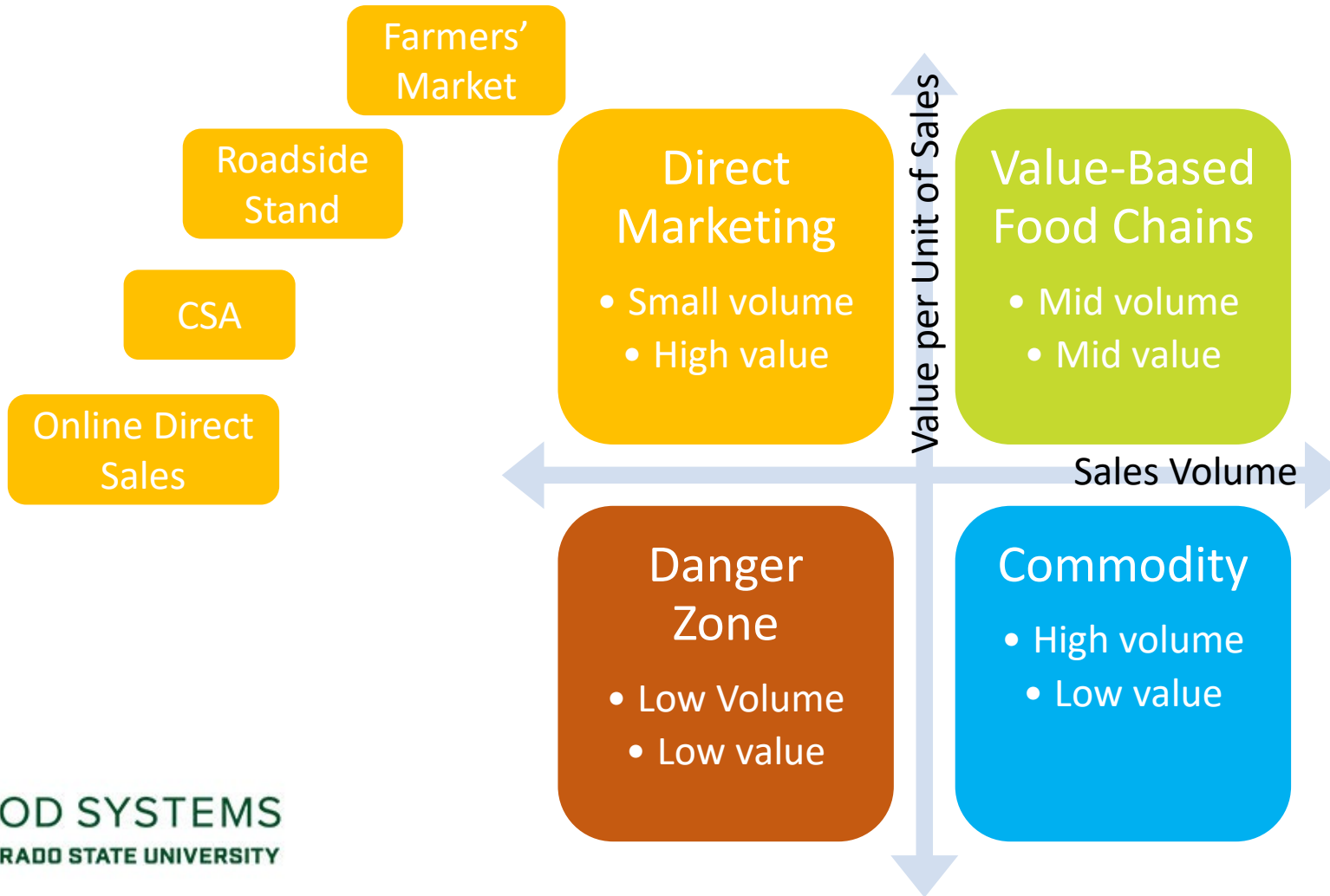
Source: Bauman, A. G., D. Thilmany McFadden, and B.B.R. Jablonski. 2018. The financial performance implications of differential marketing strategies: Exploring farms that pursue local markets as a core competitive advantage. *Agricultural and Resource Economics Review*. 47(3):477-504.

# Business Models based on Volume and Value

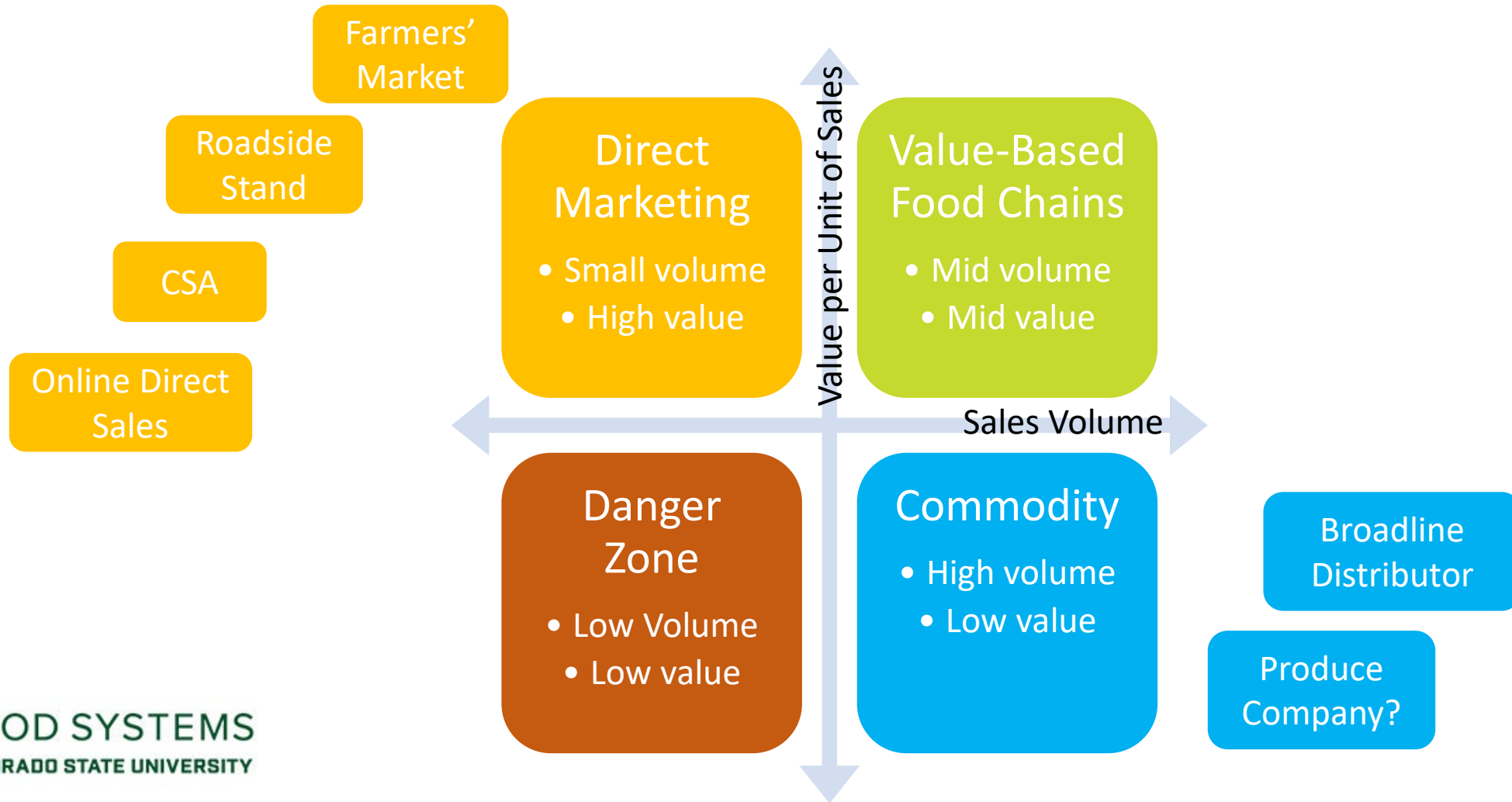




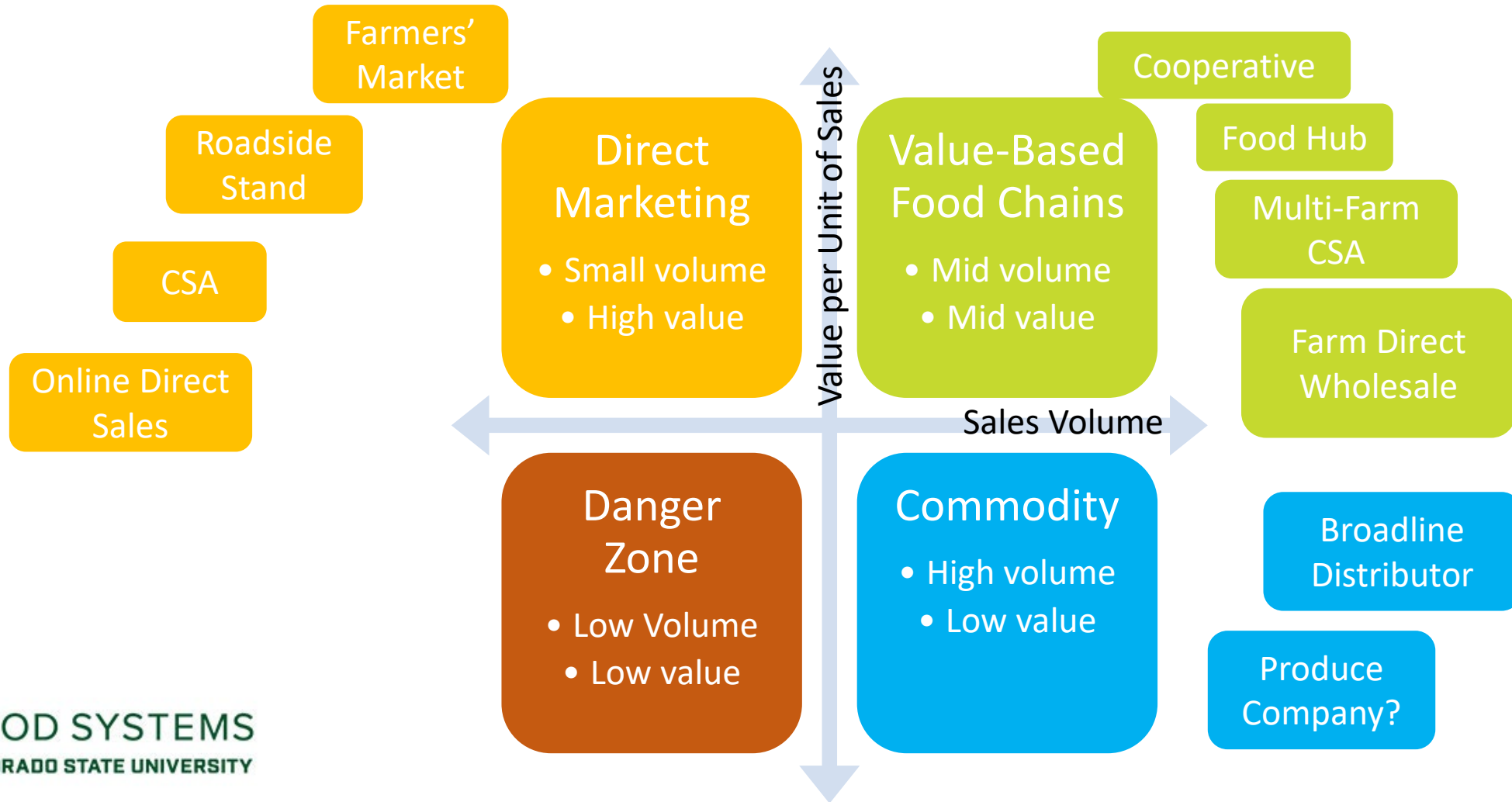
# Business Models based on Volume and Value



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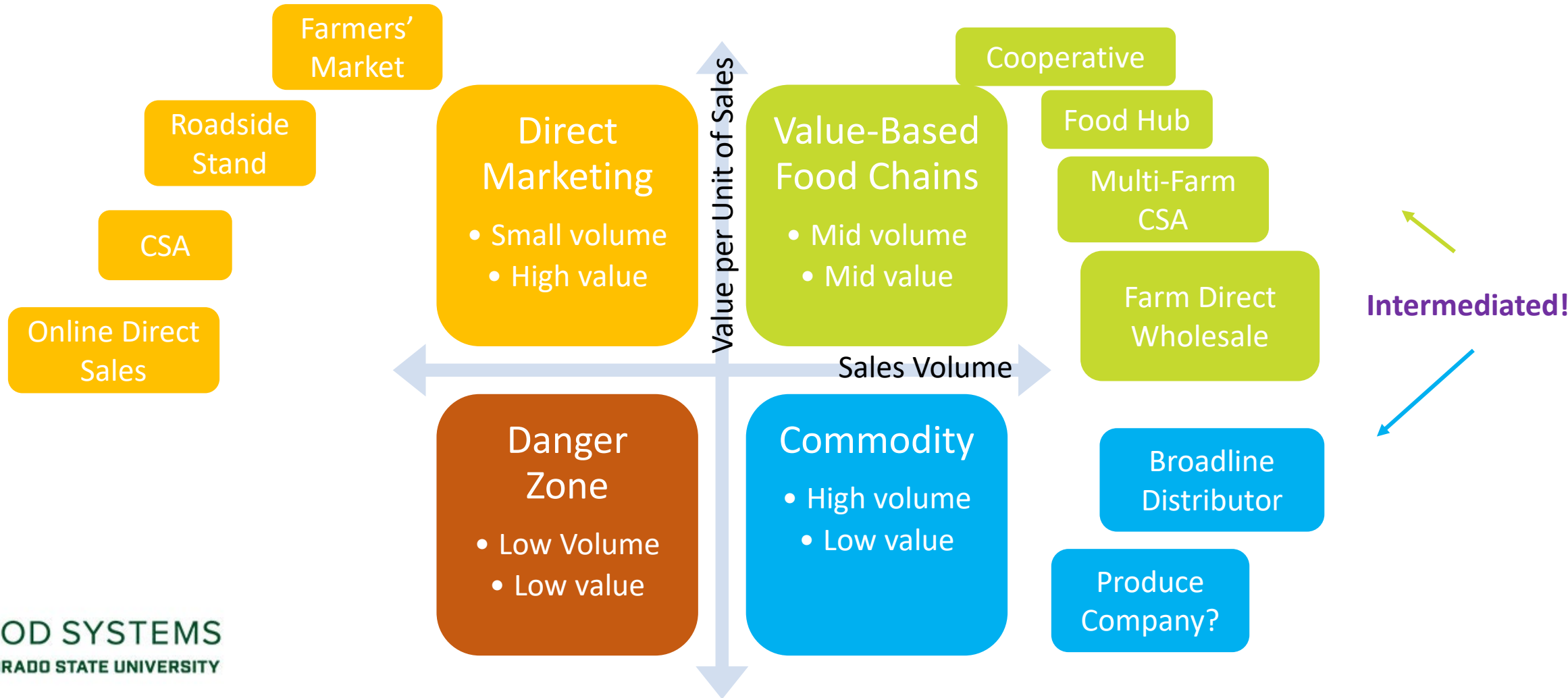


# Business Models based on Volume and Value





# Business Models based on Volume and Value





## Bottom Line

- Producers selling through local markets have different variable expenses by **scale**, by **product**, and by **market channel** that must be considered, as they'll impact profitability.
- They seek markets that have the right balance of **value** and **volume** for their operations, through a variety of market channels (**direct & intermediated**), in order to be profitable.





Storage capacity

USDA Foods

Procurement rules

Kitchen equipment

Meal pattern requirements



Planning time

Preparation time

Student preferences

Administrator priorities

Staff skills





Storage capacity

Staff skills

Seasonality

Weather

Soil

Land

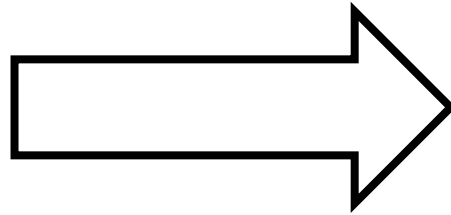


Access to capital

Access to seeds and other inputs

Water

Equipment





# How does food travel from farm to school? (Market Channel!)

## Direct



- School or community garden/farm
- Individual farmer, rancher, or fisher
- Farmers' market or roadside stand

## Intermediated



- Broadline distributor, wholesale
- Produce distributor
- Producer cooperative or food hub
- Grocery store
- *USDA Foods*
- *USDA DoD Fresh*



# How does food travel from farm to school? (Market Channel!)

## Direct



- School or community garden/farm – 28%
- **Individual farmer, rancher, or fisher – 52%**
- Farmers' market or roadside stand – 12%

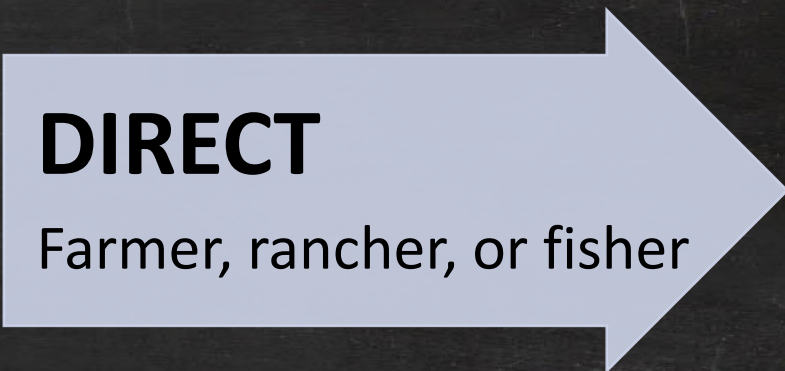
## Intermediated



- Broadline distributor, wholesale – 11%
- Produce distributor – 26%
- Producer cooperative or food hub – 21%
- Grocery store – 38%
- *USDA Foods* – 43%
- *USDA DoD Fresh* – 35%









# INDIRECT

Distributor, wholesale



Jenny Roberts Orders Items Checkout Reports Lists Tracking Inventory Options Help 6/10/06

**Order Information**

Reference Number: No Order In Session | Delivery Date: Pieces: 0 | Total: \$0.00

Items > Lists > Bronze Package > Lines 1-12 of 56 Sort by: Category + Item Sequence Select Category

Go To Next > Last > Add/Save Items to Order Find Item Within List: GO

Pk/Sz	Brand	Grd	Description	Cust #	SUPC	M	Quantity	Unit \$	Extended \$
<b>Entrees</b>									
1 /60 CT	Packer		Parsley Curly Bunch Fresh		1008374		1 CS	42.70/CS	42.70
1 /5#	Packer		Shallot Peeled Fresh		1437565		3 CS	11.65/CS	34.94
4 /5 LB	Labella		<a href="#">Pasta Orecchiette</a>		1562412		3 CS	25.85/CS	77.55
1 /1 LB	Sys Nat		<a href="#">Tarragon Fresh Herb</a>		2004992		1 CS	17.30/CS	17.30
4 /2.5 LB	Sys Cls		<a href="#">Shrimp P&amp;D Raw 21/25 T/On Tgr</a>		2292480		15 CS 0 ea	132.00/CS 33.00/ea	1980.00
2 /5 LB	Arezzio		<a href="#">Sausage Ital Pzz Top Pure</a>		2368785		5 CS	21.15/CS	105.75
6 /3 LB	Sys Rel		<a href="#">Shrimp Raw lqf Pieces Med</a>		2441053		15 CS 0 ea	120.25/CS 20.04/ea	1803.75
6 /3 LB	Sys Rel		<a href="#">Shrimp Raw lqf Pieces Lrg</a>		2441061		15 CS 0 ea	144.45/CS 24.07/ea	2166.75
4 /1 GAL	Jade Mt		<a href="#">Sauce Soy (drop ship)</a>		3252400		2 CS	41.45/CS	82.90
1 /10 LB	Intlimp		<a href="#">Grain Spclty Polenta Ital Styl (drop ship)</a>		3746880		1 CS	15.15/CS	15.15
6 /5 LB	Sys Cls		<a href="#">Peanut Butter Creamy</a>		4009189		2 CS 0 ea	49.80/CS 8.30/ea	99.60
12 /12 OZ	Sys Sup		<a href="#">Oil Sesame Seed Japanese</a>		4086260		1 CS 0 ea	68.25/CS 5.68/ea	68.25

Go To Next > Last > Add/Save Items to Order



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Producer cooperative  
or food hub



**PARTNER FARMS  
& PRODUCERS**  
Small family farms &  
specialty producers



**FARM SOURCED  
FOOD**



**SUPPORT SERVICES  
& RESOURCES**



**DISTRIBUTION**  
Partner distributors,  
institutions, retailers & schools



**COMMUNITY  
PARTNERSHIPS**  
Area nonprofits, hunger &  
food access organizations,  
farm to school



**PUBLIC KNOWLEDGE**  
Increasing knowledge of  
local food to all segments  
of the community



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# INDIRECT

Grocery Store



Image source: Billings Gazette



# Which might work well for you?

## Direct



- School or community garden/farm
- Individual farmer, rancher, or fisher
- Farmers' market or roadside stand

## Intermediated



- Broadline distributor, wholesale
- Produce distributor
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- *USDA DoD Fresh*







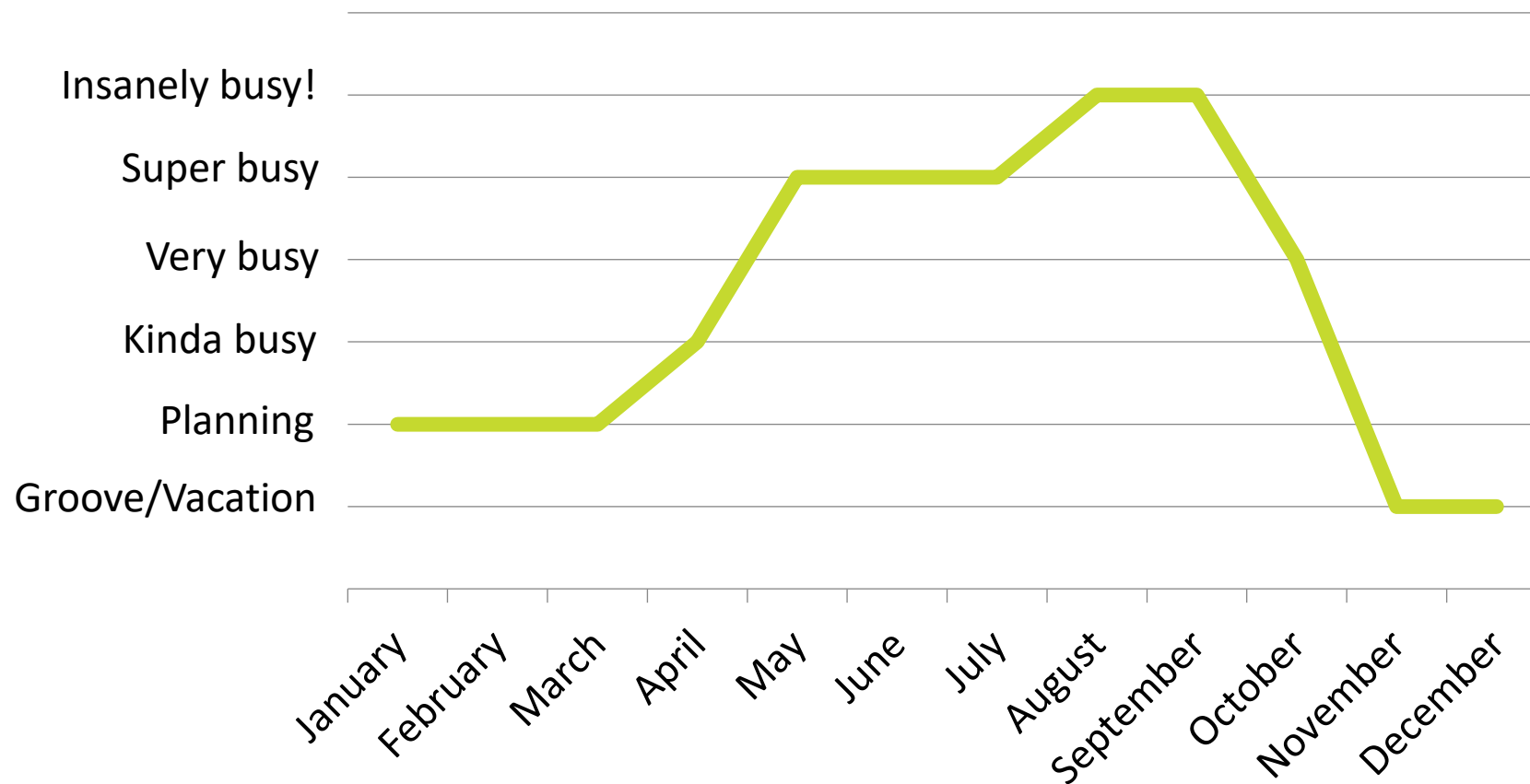








## How busy is a farmer?





Produce Item	Product Description/Usage	Wash/Pack Description	Delivery Quantity/Frequency	Total 18-19 Quantity	Additional Notes	Price, typical pack size	Price, bulk pack (e.g. 500# tote)	Expected Months Available
Apples	Large baking apple (bigger the better), hard and flavorful. Will peel and cut for apple crisp or other baked recipes. Cosmetic imperfections ok since they will be peeled and cook.	Fully washed 40# case	80 - 40# cs delivered once in Nov and once in Feb	160 cs total	Farmers encouraged to specify varieties, months available, and case counts.	\$_____ per 40# case	\$_____ per pound (bulk pack)	
Apples Notes:								
Asparagus	For steaming and roasting as a hot side dish. Some size variation ok. Minimal blemish ok.	Rinsed, free of debris/soil. 1# bunches.	Two 200# deliveries in May	400#		\$_____ per pound (packed in 11# or 28# cases)	N/A	
Asparagus Notes:								
Beet	For dicing and roasting as a hot side dish. Large sizes preferred (ie. baseball sized or larger). Some misshape ok.	Rinsed, free of debris/soil. Trimmed, bulk, no leaves, minimal stems.	300-400# per month, Oct thru March	2,000# total		\$_____ per pound (packed in 25# sacks)	\$_____ per pound (bulk pack)	
Beet Notes:								
Beet, Golden	For dicing and roasting as a hot side dish. Large sizes preferred (ie. baseball sized). Some misshape ok.	Rinsed, free of debris/soil. Trimmed, bulk, no leaves, minimal stems.	Two 300# deliveries between Oct and March	600# total		\$_____ per pound (packed in 25# sacks)	\$_____ per pound (bulk pack)	
Golden Beet Notes:								











# ***Our values are at the heart of any “win-win” relationship.***

**Fun!**  
**Marketing!** **Less waste!** **Nutritional value!**  
**Fresh!**  
**Fair wages!**  
**Better yield!**  
**Tastes better!**  
**Staff empowerment & pride!**  
**Parent engagement!** **Support our neighbors!** **Participation increase!**  
**Keeps longer!**  
**Curriculum connection!**  
**Investment in local community!**



**Convenient! Cheap!**





Using equipment wisely!

Open flow of information!

Processing & storing!

# How can we make it work?

## Creativity! Partnerships! Perseverance!

Labor efficiencies!

Multi-district cooperatives!

Forward contracting!



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**local is delicious!**



**We believe in making fresh  
and nutritious local food  
available to our community**



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## Our Values

- **Cooperation**
  - Skill sharing, cost sharing, building relationships, strengthening community
- Using appropriate technology
  - Produce and market to regions that fit our scale and minimize environmental & economic costs
- Land stewardship
  - Manage land sustainably
- Social equity
  - Interact with and provide for all segments of local community population





A decorative header bar with a light green background. It features a repeating pattern of white line-art icons representing various food items: a carrot, a fork, a pig, a plant, a fork, a carrot, a pig, a fork, a carrot, and a pig.

## Activity

In small groups, share examples of “win-win” local purchasing relationships. What made them work so well? (If you don’t have positive examples, brainstorm why a local purchasing relationship *didn’t* work out.)

Think in terms of economics, logistical constraints, and values.







## Brainstorm

- What topics should be covered in an initial conversation between a farmer and a school food service director to ensure that they're setting up a "win-win" relationship?
- Think in terms of economics, logistical constraints, and values.



# Wrap up & Q&A

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