

Finding, Buying and Serving Local Food

Using Forward Contracts

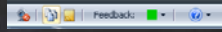
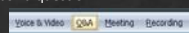
April 10, 2014




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Housekeeping


- To download handouts:
 
- To make a comment or ask a question:
 
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- The webinar will be recorded and available on the USDA Farm to School website: <http://www.fns.usda.gov/farmtoschool/webinars>




Poll: Who is on the line?





Our Presenters




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Overview

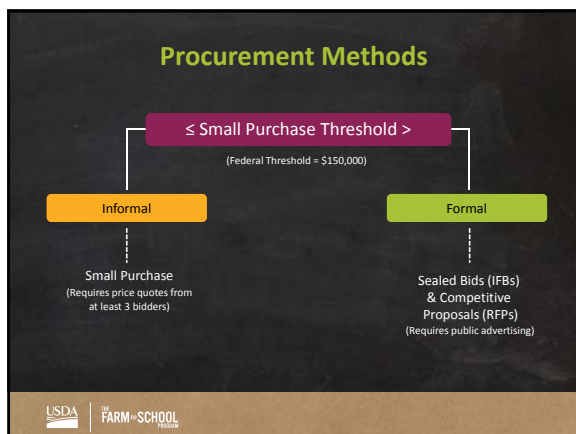
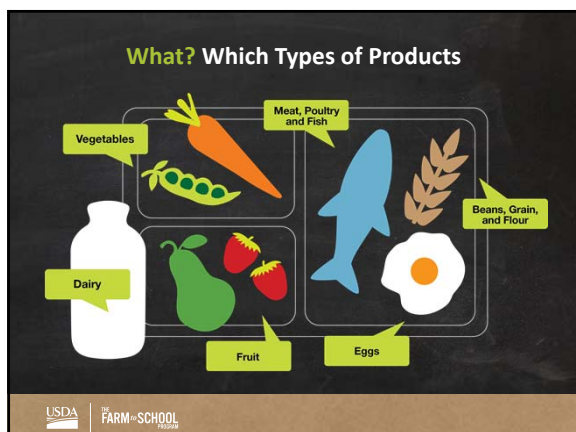
- » Procurement basics
- » Using forward contracts to purchase local foods
- » A local perspective from Willamette Farm & Food Coalition
- » Questions & Sharing




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.



- ### 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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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.




Do forward contracts have to be between a school and a farmer?

- Forward contracts can be established by:
 - » Districts
 - » Groups of districts
 - » Distributors
 - » Food service management companies
 - » State agencies
- The agreements can be with:
 - » Farmers
 - » Producer groups
 - » Food hubs





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?



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Using Forward Contracts: Willamette Farm & Food Coalition



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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

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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



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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.

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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: _____

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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:

Agreed by:

- 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.



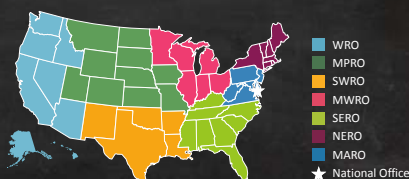
Lessons Learned

- 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



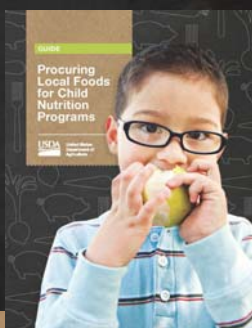
Farm to School Resources

- 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>
 (the Resources page on the USDA Farm to School website)



Questions?

