



Marketing Crops to Schools and Institutions in Kentucky: An Overview

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Introduction

Schools and institutions have long been identified as potential markets for local and regional food crops. These markets have both generated greater interest and purchases during the past 20 years due to consumer interest, food and health policy initiatives, and changes in school and institutional purchasing and procurement systems.

Large institutional buyers, from government entities to wholesale food brokers, expanded local and regional sourcing programs. This fact sheet will provide producers with key areas of consideration when selling to institutions. Links to programs in Kentucky, as well as references for additional reading and information, are also listed.

Key Considerations for Producers

Product Quantity and Quality

One barrier for marketing crops to institutional markets, especially for small producers, is supplying adequate quantities of a particular product at satisfactory quality levels and food safety assurances. Institutions interested in purchasing local produce have frequently cited the failure of producers to supply reliable quantities of product.

Producers will need to communicate with potential institutional buyers to understand their quantity and quality (volume) requirements. Producers should identify their farm's production strengths and approach institutional markets out of their production strengths and experience. It



is difficult for newer and less-experienced producers to automatically supply continuous product quantity and quality for institutional buyers when they are unfamiliar with continuous plantings and other seasonal concerns.

However, one-time special events such as Harvest of the Month or a special dish featuring local products can offer a low-barrier entrance into the school market for small or new farms. With one-time "micropurchases," schools do not need to obtain three bids or a contract in order to purchase from a local farmer; the school will simply negotiate a price with the farmer. Different schools have different micropurchase thresholds, but generally a micropurchase can take place for one-time purchases of less than \$10,000. This is a great opportunity for new or small farms to sell their product to schools, but please note, micropurchases are not permitted for sustained purchasing, meaning that a farm cannot sell something to the school each week (or in any consistent manner) under micropurchasing.



Another way that producers can overcome the barrier of supplying institutions with adequate quantity and quality is to begin by marketing products that are easier to produce, store and ship. In

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the early 2000s, for example, some Kentucky producers sold kale (for buffet decorations and garnish) and fall ornamentals (for decoration) to the Kentucky State Park system. After selling these decorative crops, some producers were able to move into selling food crops to the institutions.

Another way that producers can seek to overcome the barrier of supplying continuous volume is to create formal or informal partnerships with other producers. Strategies utilized have included partnerships, CSA-type agreements, formation of storage and distribution networks, and formal and informal cooperative networks. In Southeastern Kentucky, for example, producers formed a network to supply local consumers with fresh sweet potatoes and used this experience to identify potential institutional customers.

Concern over some of the risks associated with institutional contracts may also be a stumbling block for producers. For example, what if crop failure or other catastrophe prevents the grower from fulfilling a contract? In the case of the Kentucky Farm to School Program, food service directors are still permitted to order from their regular vendors should the producer be unable to deliver product due to an unforeseen crisis. The Kentucky Department of Agriculture (KDA) reports that it is a common misconception that the local producer must supply the school(s) completely once the grower is awarded the bid. Other institutional markets may handle this scenario differently, so it is important that such issues be addressed prior to entering into a contract.

Communication between buyer and seller is key to nearly all efforts to place local products into institutional markets. Producers will need to understand the institution's product requirements. This may include detailed handling or storage stipulations, often stemming from food safety concerns. Successful farm to institutional marketers will also need to establish multiple channels of communication with those responsible for purchasing. This may mean getting to know the person receiving the product at the back door as well as the accounting personnel responsible



for product payment. Sound recordkeeping and invoicing systems are essential for tracking product deliveries and ensuring that the producer receives timely payment.

Liability and Food Safety Concerns

Managing institutional liability and food safety concerns is a major barrier often cited by crop producers attempting to enter institutional markets. While product liability insurance is now commonplace and relatively easy to obtain, levels required by institutions may exceed the common level of \$1 million liability insurance expected by restaurants or smaller foodservice providers.

Kentucky producers have utilized two strategies for supplying higher levels of product liability insurance. The more obvious strategy, usually more feasible as farm cash flow increases, is to carry a larger amount of product liability insurance for an individual farm. One dairy farm, for example, found it worthwhile to increase their farm's product liability coverage to exceed the \$2.5 million required by a key institutional customer.



Another strategy, which is becoming more common, is for wholesalers or distributors to purchase the product directly from local farms and then resell it to the institutional client. In this case, the wholesaler

basically assumes the risk of product liability and is able to meet the institutional client's demand for local product. This does not release the producer, however, from the responsibility to ensure safe and secure local

food. Wholesalers may require GAP Certification, on-farm inspections, refuse substandard products, or conduct supply chain audits to determine if farm products are being handled according to best practices.

Producers should plan how they will meet food safety and product liability requirements before approaching potential institutional customers. A producer that has already done his or her homework and established a plan for meeting a client's food safety requirements will have a better opportunity for landing crops in the institution's supply chain.

Delivery

A third frequent barrier for supplying farm crops to institutions, as well as other local foodservice clients, is delivery. Producers desiring entry into this market need to understand that institutions are accustomed to receiving regularly timed deliveries from their existing product vendors. Additionally, few schools have significant processing or storage capacity. In some cases, wholesalers or other intermediaries have been used to assist with the aggregation and even light processing. A producer who is unwilling to meet an institution's reasonable requirements for timing and manner of delivery creates a barrier to entering the market.

Fortunately, many institutional foodservice purchasers have realized that sourcing products direct from producers can meet institutional values and/or create popularity and value in the eyes of their foodservice patrons. As a result, some institutional purchasers in Kentucky and other states have become more flexible with local producers in terms of delivery and storage. Creating some additional space for local product storage in walk-in coolers (if possible) and giving chefs more flexibility in menu preparation to feature fresh local product are two ways that Kentucky institutions have increased the amounts of local product they are able to procure. However, producers should never expect that institutions will bend over backward just to source local product; for a number of institutional buyers, ease of preparation and budget constraints still govern many product purchasing decisions.

Kentucky Programs

Farm-to-School Program

Kentucky's farm-to-school program is administered by the Kentucky Department of Agriculture. In 2003, the KDA modeled a purchasing program using the

Department of Defense procurement structure to facilitate the entry of local products into public schools. Several successful pilot projects with local farms and farmer-owned cooperatives placed local produce into public schools. More recently, federal programs pushing for healthier meal options offered in schools have placed renewed emphasis on local sourcing of fresh products, including in-school merchandising and education about local food.

While Kentucky schools have rapidly expanded their use of local products, they still operate within a bid system. Typically, a school must collect three bids before an offer can be made (see info on Page 1 on Micropurchasing). Some Kentucky schools have been willing to make available historic purchase prices. Producers interested in supplying crop products to public schools will find it useful to work through the management supplied by the KDA. This government entity can help producers navigate supply, invoicing, delivery and contacts with potential local school system clients. The KDA has a designated coordinator for farm-to-school purchasing in Kentucky. Producers can obtain contact information for this person via the KDA's Farm to School web page.

The National Farm to School Network designates October as National Farm to School Month, which is celebrated by the KDA. Producers of fall fruit and vegetable crops might seek to tie initial marketing efforts with monthly promotions during October.



Kentucky Proud Buy Local Program

The Buy Local program administered by the Kentucky Department of Agriculture offers schools of all levels (Pre-K, K-12, institutions of higher learning) and their foodservice operations the ability to gain a reimbursement on qualified Kentucky food purchases. This program reimbursement is capped at \$8,000 annually and \$36,000 in a lifetime. Applicability, terms and conditions should be explored through the KDA.

MarketReady Training

The MarketReady Training Program is conducted through the University of Kentucky's Food Systems Innovation Center. MarketReady addresses the market development risks and relationships small farmers and

ranchers must manage as they seek to develop supplier relationships with restaurants, grocery, wholesale and foodservice buyers. For more information about this program, as well as training locations and dates, visit MarketReady on the web.

Selected Resources

Kentucky

- Kentucky Farm to School Program (Kentucky Department of Agriculture) <https://www.kyagr.com/consumer/farm-to-school.html>
- Kentucky Horticulture Council Farm to School projects/resources <https://kyhortcouncil.org/f2s/>
- Produce Best Practices Training (University of Kentucky) <https://www.uky.edu/ccd/foodsafety/pbpt>
- MarketReady (University of Kentucky) <http://www.uky.edu/marketready/>
- Buy Local Program (Kentucky Department of Agriculture) <https://www.kyproud.com/buylocal/>
- Produce Food Safety (University of Kentucky) <https://www.uky.edu/ccd/foodsafety>

National

- Bringing Local Food to Local Institutions — A Resource Guide for Farm-to-school and Farm-to-Institution Programs (ATTRA, Updated 2013) <https://attra.ncat.org/attra-pub/download.php?id=261>
- Farm to School (National Farm to School Network) <http://www.farmtoschool.org/>
- Farm to School (USDA) <http://www.fns.usda.gov/farmtoschool/farm-school>
- Tips for Selling to Institutional Markets (ATTRA, 2012) <https://attra.ncat.org/attra-pub/download.php?id=399z>

Other states

- Indiana Farm to School <http://www.doe.in.gov/nutrition/farm-school>
- Farm to Institution (North Carolina State University) <https://localfood.ces.ncsu.edu/local-food-marketing-markets/local-food-farm-institution/>



- Farm to School Ohio State University Extension <http://farmtoschool.osu.edu/>
- Missouri Farm to School <http://mofarmtoschool.missouri.edu/>
- What Producers Should Know About Selling to Local Foodservice Markets (Iowa State University, 2010) <https://store.extension.iastate.edu/product/12745>
- What Retail Foodservices Should Know When Purchasing Local Produce Directly from Local Farmers (Iowa State University, 2010) <https://store.extension.iastate.edu/Product/What-Retail-Foodservices-Should-Know-When-Purchasing-Local-Produce-Directly-from-Farmers>
- Helping Create Readiness and Relationships to Increase Local Procurement in Iowa's Schools (Iowa State University, 2020) <https://store.extension.iastate.edu/product/15803>

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