



FORWARD CONTRACTING

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AGENDA

- **Introduce forward contracting**
- **Benefits and Opportunities**
 - Why it works for schools/early childhood programs
 - Why it works for farmers
- **Preliminary steps to set it up**
 - Increasing farmer response
 - Coming to agreeable terms
 - Solidifying agreements
 - Challenges
- **Examples**



FORWARD CONTRACTING

Definition

- Any contract established in advance of when the product is delivered

Farm to School

- A contract or agreement established with a farmer in advance of the growing season
- Farmers adapt harvest and planting schedules to meet buyer's needs


Timeline

- Every quarter, previous year, etc.


FORWARD CONTRACTING EXAMPLES

- Securing product ahead of time for Harvest of the Month or Cultivate Michigan Featured Food
- Setting up consistent deliveries of one or two products on a regular basis
- Agreement for specific quantity of product to be frozen for use in winter months
- Agreement for specific quantity of storage crop to ensure availability in January/February

PARTIES INVOLVED



K-12 school
District
Early childhood program



Groups of
districts/buying
consortium



Distributor



Food Service
Management
Companies

Farmers

Producer Groups

Food Hubs

Processors



BENEFITS - SCHOOLS

- More likely to get quantities needed
- Menu planning made easier based on reliable supply
- Price points can be more favorable and set ahead of time
- Opportunity for specifications
- Builds strong relationships

BENEFITS - FARMERS

- Reliable outlet for bulk crops
- Allows producers to plan for a large demand and plant accordingly
- Strong relationships
- Stable flow of product
- Ensures receiving a payment

CHALLENGES

- **Requires consistent communication and trust**
- **Harvests can be unpredictable**
 - Weather, pest pressures, timing, amounts
- **How do you address potential issues up front**
 - Crop substitutions
 - Working with other farmers
 - Transparency



SETTING UP A FORWARD CONTRACT

FARMER PERSPECTIVE

- Solicitations can be overwhelming
- Schools/early childhood programs can be new markets for farmers
- Elements of distrust and concern
- Unfamiliarity on price

WHOLESALE PRICING (HHH FARMERS)

Per Lb	Conventional	Practical Org.	Certified Org
Cherry Tomatoes	\$2.50-3.50	\$4.50-\$5.00	\$5.00-\$5.50
Red Tomatoes	\$1.30-\$2.50	\$2.50-\$3.00	\$2.50-\$3.00
Spinach	\$7.00-\$8.00	\$7.00-\$9.00	\$10.00
Head Lettuce	\$2.00-\$2.50	\$2.50-\$3.00	\$3.50
Carrot	\$2.00	\$2.25-\$3.00	N/A

REQUEST FOR INFORMATION

- Non-binding solicitation for product availability
- First step in ensuring response from local farmers
- Helps ensure your requests are realistic
- Start small!

REMEMBER!

Forward Contracts **MUST** be
competitively procured.

Sourcing Local Foods: Understanding Procurement
Rules and Regulations Webinar



REVIEW PROCUREMENT PRINCIPLES

Informal Procurement <\$100,000

- Solicit bids from at least three vendors with documentation
- Can target only local vendors

Micropurchasing threshold <\$3,500

- Does not need to be public
- Can choose vendor (must be fair and spread out purchases)
- Easiest way to start!

COMING TO AGREEMENTS

- What products and quantities work for you both?
- What time frame is realistic?
- What price could work for both? Is a price range more appealing?
- What delivery schedule is preferable?
- What options are there if the farmer cannot meet the agreement?
- What substitutes could you consider to allow for the unpredictable?

SAMPLE CONTRACT

Willamette Farm and Food Coalition

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

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

SAMPLE CONTRACT

Willamette Farm and Food Coalition (cont)

- Product(s) name:
- Total estimated quantity
- Time product will be ripe AND when it will be delivered
- Packing requirements/Postharvest handling practices
- Other specifications
- Cost per unit paid to farmer
- Cost per unit paid by school district
- Payment terms and process
- Timeline and tasks to be completed by whom and when

EXAMPLE: CHERRY TOMATOES

- Supplying 50 lbs of cherry tomatoes every two weeks from Sept – December
- Set up schedule for deliveries that works for farmer and school
- Falls under micropurchasing threshold



EXAMPLE: SPINACH

- Hoophouses for Health farmer partnering with school in Eaton County
- Supplies fresh produce for salad bar
- Planting field of Spinach specifically for school partner





QUESTIONS?

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