



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







K-12 school District Early childhood program

Farmers



Groups of districts/buying consortium

Producer Groups



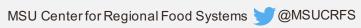
Food Hubs



Distributor

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



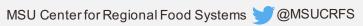
REQUEST FOR INFORMATION

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?





Willamette Farm and Food Coalition

It is the intentio	n of	<u>(school dis</u>	itrict)	to
purchase the following product(s) from				(farm)
through	(distributor)			
It is the intentio	n of(fa	arm or proce	essor)	_ to grow
and sell the foll	owing produ	ct(s) to	(sc	chool
district)	through	(6	distributo	r)





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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