

An Introduction to Incentives

This document is part of a resource series on Local Food Purchasing Incentives (LFPIs), produced through collaboration between the Michigan State University Center for Regional Food Systems (CRFS) and the National Farm to School Network. This project aims to contribute to the growing body of knowledge on LFPIs and provide more information for farm to school advocates and practitioners nationwide.

Local Food Purchasing Incentives (LFPIs) are programs that provide additional funding to child nutrition program (CNP) operators to directly offset or incentivize local food purchases.¹

Typically funded and operated at the state level, these programs intend to increase the purchasing of local foods in school and early care and education (ECE) settings. The first state-level LFPI was established in 2001, and as of August 2023, at least 16 states and Washington, D.C. have established LFPIs (Bull, 2022a).²

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According to the 2019 USDA Farm to School Census, 33% of School Food Authorities named cost as a challenge to purchasing local foods (Bobronnikov et al., 2021, p. 38). LFPIs aim to reduce the cost of purchasing local foods for CNPs, which typically operate with federal reimbursements through USDA as a primary funding source. When local foods are a more cost-effective option, food program managers may be more willing to begin purchasing them, or purchase more of them, than they might otherwise without an LFPI.

1 CNPs include, but are not limited to the National School Lunch Program (NSLP), National Breakfast Program, and the Child and Adult Care Food Program (CACFP).

2 Bull, 2022a does not include two programs we are listing here: Kentucky's Buy Local Program (<https://www.kyproud.com/programs/buy-local/>) and Connecticut's Local Food for Schools Incentive program, which was created by SB 1 in 2023.

Figure 1: How State Local Food Purchasing Incentives Work



BENEFITS OF LOCAL FOOD PURCHASING INCENTIVES

Depending on how they are designed, LFPIs can:

- **Provide more equitable financial support** for CNPs that may face challenges in affording local ingredients.
 - **Boost the local agricultural economy.** LFPIs can create a positive cycle that increases institutional demand for local food, which increases the vibrancy and viability of local food market channels.
 - **Increase the volume and variety of fresh, nourishing, local ingredients** available to children, which may in turn increase participation in meals.
 - **Connect children with their food system and local farmers.**
 - **Gather extensive data on local food purchasing trends and related activities.** This is because LFPIs often require the submission of purchasing information by food program managers to receive incentive funds.
- **For a full list of benefits found from program evaluations, see the companion document [Benefits of Local Food Purchasing Incentives](#).**

Incentives are typically administered in three different ways:

1. **At-will programs:** any CNP will be reimbursed by following program guidelines
2. **Performance-based:** CNPs must reach a certain local food purchasing percentage
3. **Grant-based:** CNPs must apply for or accept grant awards

➤ **Learn more about these models in our resource on [program administration](#).**

TYPES OF LOCAL FOOD PURCHASING INCENTIVES

This document focuses on state-level policies, but LFPIs can occur at various geographic levels and be supported by diverse policy and funding partners. LFPIs often differ from, though they may be part of, more general farm to school grant programs that fund various activities related to the core elements of farm to school: procurement, education, and school gardens (Matts et al., 2022). They are also typically distinct from other types of healthy food incentive programs that are intended to stimulate local food purchasing among a broader array of community members through farmers markets and other retail settings, such as Double Up Food Bucks.³

With program structures available as of summer 2022,⁴ LFPIs can generally be grouped into two different types:

1 TRADITIONAL INCENTIVES

Traditional incentives provide a specific reimbursement rate for CNPs if they qualify for the incentive program.

- ✓ **Maine's Local Foods Fund** provides schools \$1 for every \$3 spent on local food up to a cap of \$5,500 per school per year.
- ✓ **New York's 30% NYS Initiative** provides schools an additional 19.1 cents per lunch meal to schools that spend at least 30% of their food costs for lunch on local ingredients.
- ✓ **Michigan's 10 Cents A Meal program** provides CNPs with 1:1 matching grant awards for purchases of local fruit, vegetables, and legumes. Maximum award amounts are based on 10 cents multiplied by the number of meals served the previous year.

2 EXPANDED INCENTIVES

Expanded incentives often take the form of grant programs that fund farm to school activities (such as staff training, equipment, storage, supply chain costs, and expenses for educational activities) in addition to local food purchases. As food program managers face many additional barriers beyond cost when they try to procure local food, allowing non-food items as allowable costs in an LFPI may help participants build capacity to implement successful farm to school programs.

- In **Washington** state, food program managers can apply for a maximum grant amount based on previous meal participation and CNP type. If awarded, they are reimbursed for eligible purchases, which include qualifying food products and up to 25% of the overall grant can be spent on equipment, staff time, professional development, promotion, and travel.
- In **California**, funds awarded through the Farm to School Incubator Grant Program may be used to establish new or expand existing farm to school programs and fund both educational activities and purchases of qualifying local ingredients. K-12 grantees are able to receive a maximum award of \$15 per student enrolled with award ranges from \$200,000 to \$1 million.

➤ **See the companion resource [Expanded Local Food Purchasing Incentives: Programs that Reimburse More Than Local Food](#) for more information on this topic.**

3 Double Up Food Bucks matches USDA SNAP (Supplemental Nutrition Assistance Program, commonly known as food stamps) purchases of fresh fruits and vegetables at participating grocery stores and farmers markets, as well as at corner stores in some locations. It is coordinated by the Fair Food Network, and now operates in over 25 states. www.doubleupamerica.org.

4 See Bull (2022a) for an analysis of LFPI designs. Bull (2022b) is a compendium that lists 2-4 page overviews of statewide programs. Detailed information on the state programs listed in this resource can be found in the compendium.

WHAT KINDS OF LOCAL FOODS QUALIFY?

Each state determines which types of local foods qualify for its incentive program. Often, this is codified through legislation that enacted the program or the state agency or department that administers the program.

As of 2023, states with incentives have included a diverse variety of local product types, such as:

- **Fresh and minimally processed fruits, vegetables, and legumes**
- **Grains**
- **Proteins**
- **Value-added dairy products (e.g. yogurt, sour cream, cheese)**
- **Fluid milk**
- **Processed products (e.g. tomato sauce, flour, juice)**

Fresh and minimally processed fruits and vegetables are incentivized by all existing LFPIs. Grains, meat-based proteins, and value-added dairy are also incentivized by most LFPIs. Most states do not include fluid milk in their LFPI programs. This is because, depending on the state, many schools are already purchasing locally produced milk, and LFPIs are typically not meant to subsidize existing local purchases.

Roughly half of the states with LFPIs reimburse purchases of **processed products**, such as juice, sauces, and flour. States may choose to include processed products in LFPIs for a variety of reasons, such as supporting local manufacturing in their state or if there are insufficient quantities of fresh and minimally processed fruits and vegetables available to institutional buyers due to the supply chain or a short growing season. Including processed products in an LFPI increases the types and amounts of local food available to CNPs. However, processed products often require additional time for CNPs and state agencies to provide adequate documentation and verify that products meet the definition of local. Some state programs consider any product that was manufactured in the state to qualify for their program. However, most states that incentivize the purchase of processed products require that more than 51% of the ingredients of that processed product be grown or raised in the state. This requirement creates an additional step for CNP managers to document that the ingredients in the product originated in the state.

DEFINING LOCAL

Each state sets its definition of “local” and outlines which foods will be reimbursed by the LFPI. States can use a legislative definition of “local” if one is already established, or use existing definitions for local that may be used by other programs operating in the state. Typically, states use a state border definition to define local products. A multi-state definition of “local,” however, may support the regional foodshed and account for a lack of certain types of products readily available in the program’s home state. For example, Connecticut’s 2023 LFPI legislation (S.B. 1) includes New England and New York as part of its regional definition of local. Washington DC’s *Local5* program includes products grown or raised in the District of Columbia, as well as Maryland, Virginia, West Virginia, North Carolina, Pennsylvania, Delaware, and New Jersey.⁵ Though not currently used in LFPIs, the USDA’s Local Food for Schools Cooperative Agreement Program defines “local” as a 400-mile radius from where meals are served.

5 For more information about the Local5 program, visit <https://osse.dc.gov/page/local5>.

References

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LEARN MORE



See [National Farm to School Network's Webpage on Local Food Purchasing Incentives](#) for an up-to-date list of state programs.

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To find more resources on LFPIs, go to foodsystems.msu.edu/local-food-purchasing-incentives and farmtoschool.org/resources. Contact Cassandra Bull at cassandra@farmtoschool.org or Colleen Matts at matts@msu.edu for more information.

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