



SOURCING LOCAL FOOD

Understanding Procurement Rules and Regulations

MICHIGAN STATE
UNIVERSITY

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WEBINAR GOALS

- Understand how procurement regulations apply to local purchasing initiatives in schools and early childhood programs
- Identify strategies and tools for purchasing from Michigan and/or locally
- Be able to apply proper procurement procedures to your local purchasing



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WHY REGULATE?

- Accountability
- Efficient use of taxpayer dollars
- Provide reasonable assurance that the best buy is obtained

PRINCIPLES OF PROCUREMENT

- Full and Open Competition
- Fairness and Integrity
- Responsive and Responsible Vendors

FULL AND OPEN COMPETITION

- Ensures:
 - High quality
 - Low Price
 - Efficient use of tax payer dollars
- All potential suppliers are on a level playing field

Any requirement seen as “limiting competition” is unallowable

RESPONSIVE AND RESPONSIBLE VENDORS

Responsive – vendors must conform to school's stated terms and conditions

Responsible – vendors must be capable of performing successfully under the terms and conditions of the contract

FAIRNESS AND INTEGRITY

- Specifications are clear and not unduly restrictive
- Publicizing the solicitation appropriately to the widest possible audience
- Writing clear evaluation criteria that are not unduly restrictive
- Allowing adequate time for respondents to prepare responsive bids or proposals
- Procuring within the awarded scope identified in the solicitation
- Transparency in the process



PROCURING LOCAL FOODS

WHY LOCAL?

- Support local economy
- Support alternative farming practices
- Promote health and wellness
- Minimize environmental impact
- Build educational opportunities

DEFINE LOCAL



METHODS FOR SOURCING LOCAL

- Directly from a Producer
- Produce Auctions
- Producer Co-Ops and Food Hubs
- Food Service Management Companies
- Distributors
- Food Processors
- School Gardens and Farms



cultivatemichigan.org



PROCURING LOCAL FOODS

- Preliminary Steps
- Formal Procurement, Informal Procurement, Micro-purchasing
- Local purchasing strategies
- Real world applications



GANDERVILLE, MI

Farm to School

- Farmer Visits in 2015
- Apple Crunch in 2015
- Local producers interested in working with the school

Products:

- Ground Beef
- Lettuce
- Dry Beans

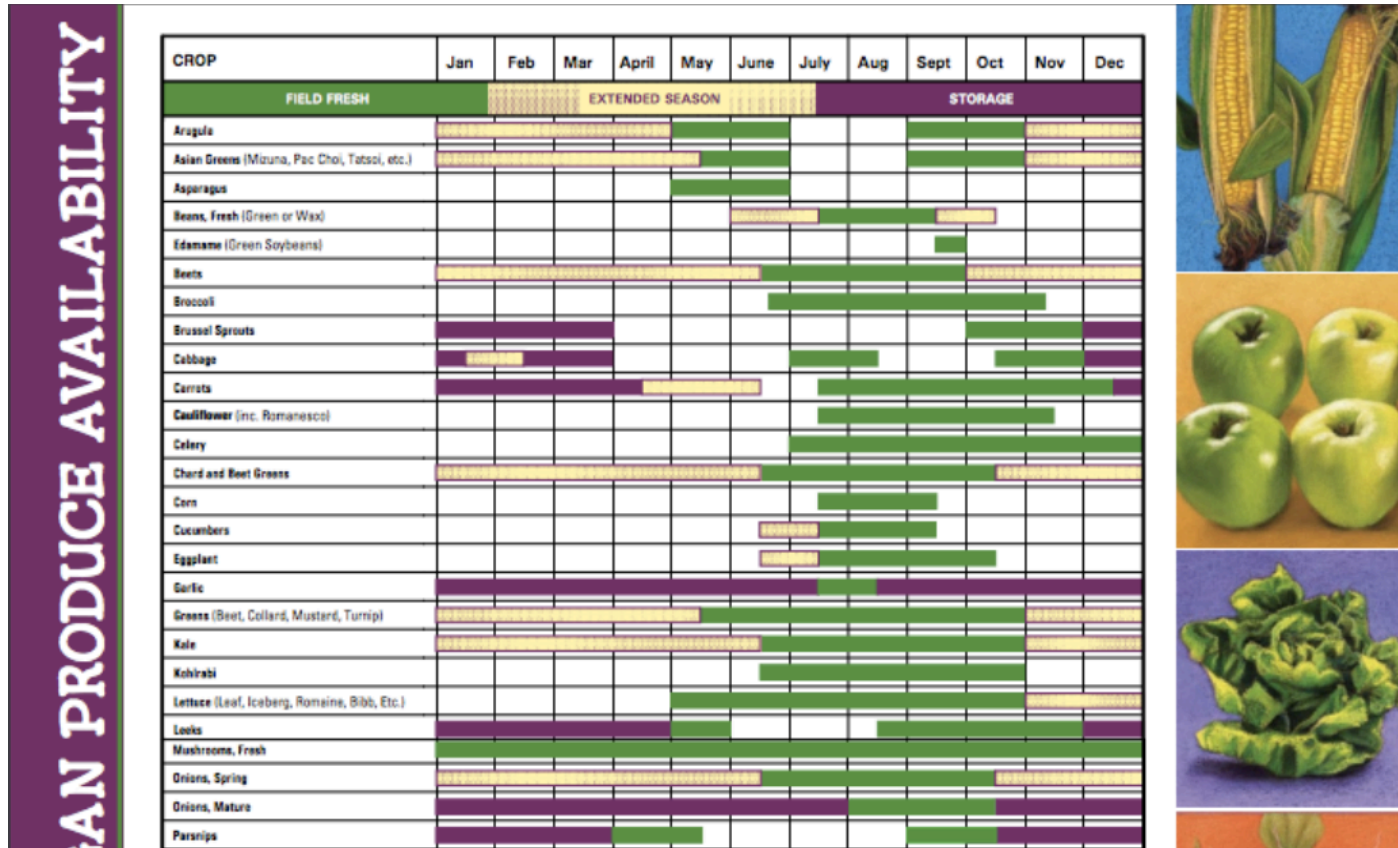
“LOCAL” CAN’T BE USED AS A SPECIFICATION

“This solicitation is for Apples grown within a 50 mile radius of Ganderville, MI”

FIVE STEPS IN THE PROCUREMENT PROCESS



STEP 1: ASSESS AVAILABILITY OF LOCAL PRODUCTS



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REQUEST FOR INFORMATION

Collect written information about the capabilities of various suppliers

Benefits:

- Survey of available products
- Can direct your purchasing method
- Doesn't require commitment to purchase
- Can increase likelihood that farmers will respond to bids

GANDERVILLE SCHOOL

Ganderville Schools is seeking information from producers located within 100 miles from Ganderville, Michigan for the following products:

Product	Quantity	Price Range	Seasonality
Ground Beef			
Loose Leaf Lettuce			
Dry Beans			

FORMAL VS. INFORMAL

Is your purchase valued over the small purchase threshold?

NO

Federal = \$150,000
Michigan = \$100,000
Local = Varies

YES

You can conduct an informal purchase

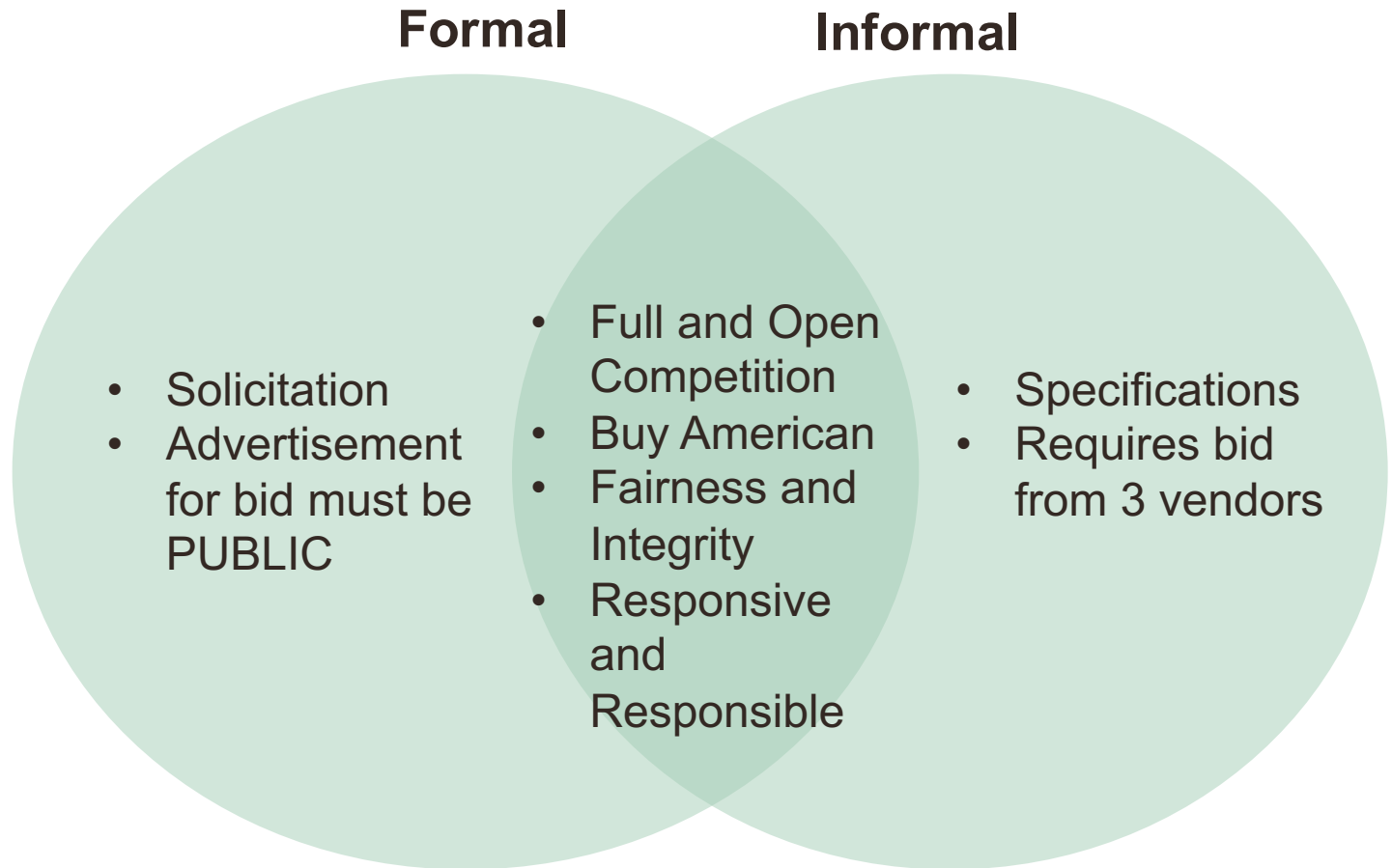
You must conduct a formal purchase



THRESHOLD FOR PURCHASE

- Total dollar amount from a vendor
- Single purchase order for an item or items
- Aggregate total of all invoices for a contract
- Total of purchase orders from a single supplier
- Aggregate total of all purchase orders

FORMAL VS. INFORMAL



FORMAL PURCHASE



IFB VS. RFP

Invitation For Bid

- Competitive sealed bid
- Primary deciding factor is price
- Used when there is **no substantive difference** among the products

Request for Proposal

- Competitive Proposal
- Uses other factors in the evaluation of the proposal
- Used when **cost is not the most important factor** or vendor products may vary

SECTIONS OF A SOLICITATION

- Contract Type
- Introduction/Scope
- General Descriptions of Goods and Services
- Timelines and Procedures
- Technical Requirements
- Evaluation Criteria (RFP)

ADVERTISE YOUR BID

- Announce solicitation in print
- Advertise on website
- Contact known bidders

Evaluate
Bidders



Award
Contract



Manage
Contract

LOCAL FORMAL PROCUREMENT

Is your purchase valued over the small purchase threshold?

Federal = \$150,000
Michigan = \$100,000
Local = Varies





FORMAL PROCUREMENT – LOCAL

How to:

- Incorporate local characteristics into your specifications and technical requirements
- Use Geographic Preference to award “points” to vendors that meet your definition of local
- Apply evaluation criteria that target local farmers



INCLUDING LOCAL IN SOLICITATION

- **Contract Type**
- **Introduction/Scope**
- **General Descriptions of Goods and Services**
- **Timelines and Procedures**
- **Technical Requirements**
- **Evaluation Criteria (RFP)**



SOLICITATION

Introduction / Scope

- Program goals and priorities

Example:

- “The district’s priority is to purchase Michigan grown products to the maximum extent practicable and appropriate. Vendor shall provide supporting documentation, upon request, of produce items grown within the state of Michigan to district.”
- “Ganderville believes feeding our students Michigan grown food supports student health and local economies”



PRODUCT SPECIFICATIONS

- Freshness
- Harvest technique
- Crop diversity
- Availability for education
- Specific varieties
- Production standards

GANDERVILLE, MI

Item	Description
Ground Beef	<ul style="list-style-type: none">• Grass Fed• Hormone Free• Willing to visit schools
Lettuce	<ul style="list-style-type: none">• Harvested within 24 hours of delivery• Farm must grow at least 10 different crops• Farm must be able to provide field trips
Dry Beans	<ul style="list-style-type: none">• Navy beans or black beans• Organic practices• Availability for field trips

SPECIFICATIONS

Understand your local markets

Item	Description	
Lettuce	...Washed 3x.	Rinsed once
Apples	...Grade A Fancy.	32 apples per bushel
Grape Tomatoes	...Red	Substitutions



KNOW YOUR FARMER, KNOW YOUR SCHOOL

- **Good Agricultural Practices (GAP) can be prohibitive for small farmers**
 - Michigan Farmers Safe Food Risk Assessment Program (Michigan's Safe Food A Syst)
- **Certifications/licenses?**
 - Michigan Department of Agriculture and Rural Development (MDARD) does not certify farms
- **Excessive Requests or Requirements?**
 - Personnel, high liability insurance, etc.



GEOGRAPHIC PREFERENCE

- Allows schools and early childhood programs to give a reasonable advantage to vendors within a specified geographic area
 - Must be outlined in initial RFP
 - Schools determine local
 - Applies to unprocessed agricultural products



GEOGRAPHIC PREFERENCE

Unprocessed Products

- ✓ **Cooling, refrigerating, freezing**
- ✓ **Peeling, slicing, dicing, cutting, chopping, shucking, grinding**
- ✓ **Drying and dehydrating**
- ✓ **Washing, packaging, vacuum packing, bagging**
- ✓ **Adding preservatives to prevent oxidation**
- ✓ **Livestock or poultry butchering**
- ✓ **Pasteurizing milk**



GEOGRAPHIC PREFERENCE

1. One Penny = One Point

2. Percentage Local

3. Tiered Preference

Must be stated in the RFP

ONE PENNY = ONE POINT

Lettuce: Within 100 miles of Ganderville, MI

10 price points

	Faraway Farms	Local Lettuce	Global Greens
Cost per Pound	\$1.97	\$2.05	\$2.03
Is the farm within 100 miles?	No	Yes	No
Preference Price Adjustment	\$0.00	\$0.10	\$0.00
Price Adjusted with Preference Point	\$1.97	\$1.95	\$2.03
Actual Cost of the Product	\$1.97	\$2.05	\$2.03

PERCENTAGE LOCAL

Dry Beans – 75% or more of crop is grown in Michigan
10% price adjustment

	Christina's Crops	Larry's Legumes	Beany Distribution
Bid Price	\$4,000	\$4,500	\$6,000
Percentage of In-State Product	20%	80%	50%
>75% Local?	No	Yes	No
Preference Price Adjustment (-10%)	\$0.00	\$450	\$0.00
Price Adjusted with Percentage Preference	\$4,000	\$4,050	\$6,000
Actual Cost of the Product	\$4,000	\$4,500	\$6,000

TIERED PREFERENCE

Ground Beef -

- Tier 1: 100 mile radius Ganderville, MI 10% price adjustment
- Tier 2: Within the state – 7% price adjustment

	Rusty's Ranch	Michigan Meats	Bonnie's Beef
Contract Price	\$31,000	\$33,000	\$34,000
Is the farm located within one of the tiers?	No	Yes (10% pref.)	Yes (7% pref.)
Price for comparison	\$31,000	\$29,700	\$31,620

GEOGRAPHIC PREFERENCE

“Locally Sourced – Produce sourced from within 200 miles of the Kansas City Area will be defined as local and will be given 10 cents per pound preference in evaluation of the bid award.”

EVALUATION CRITERIA

- Weight certain factors/characteristics
- School district decides what is “necessary” vs. “preferred”
- Price should be weighted most heavily
- Assign “price points” for certain criteria

	Apple Grove	Aunt Ida's Orchard	Fanny's Fruit
Price = 40	40	30	35
Contractor able to meet all specifications Product Quality = 15 Delivery = 10 Packaging and Labeling = 5	30	30	30
Three references, past history = 10	10	10	7
Able to provide farm/facility tour or classroom visits = 5	0	5	0
Able to provide state of origin on all products = 5	0	5	5
Delivered within 24 hours of harvest = 10	0	10	7
100 possible points	80	90	84

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INFORMAL PROCUREMENT



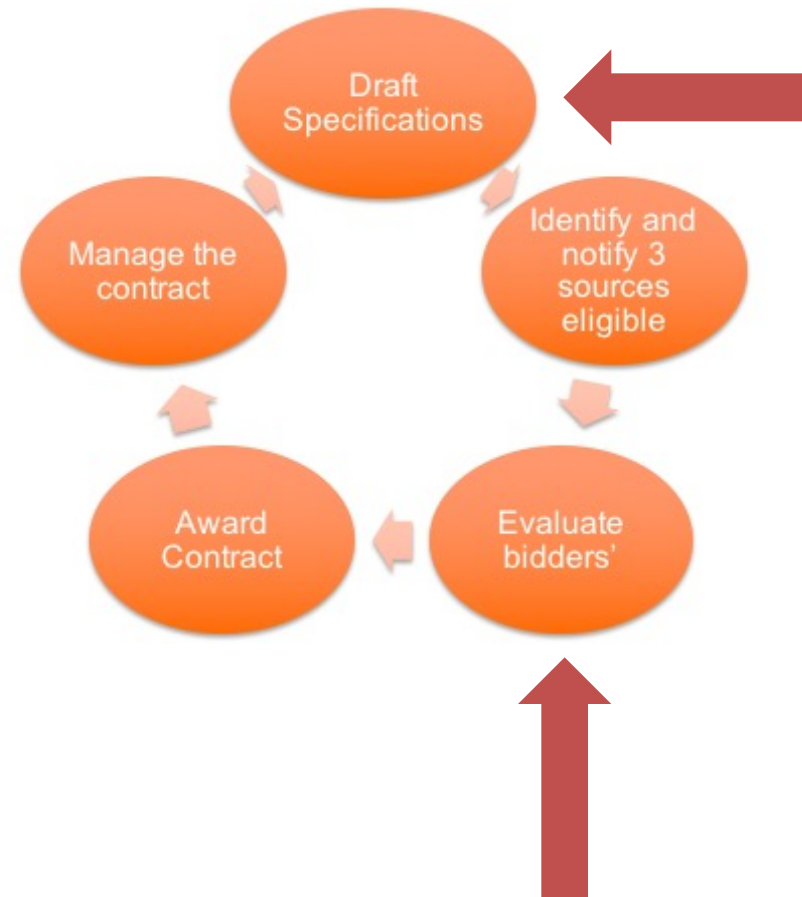


INFORMAL PROCUREMENT

- Written, documented specifications (not formal solicitation)
- Must solicit minimum **three** bids
- Documentation necessary

INFORMAL PROCUREMENT - LOCAL

- Specifications
- Evaluation Criteria
- Geographic Preference



INFORMAL PROCUREMENT – LOCAL

Identify and Notify Three Sources Eligible

- Approach only vendors that meet your definition of local
- Document bids
- Reevaluate if necessary so as to **not limit competition**

GANDERVILLE, MI

- Outline specifications lettuce (loose leaf, delivered within 24 hours of harvest, rinsed)
- Identify three farmers within 50 miles that grow lettuce
- Call three farmers to get price quotes
- Document pricing from each farmer

MICRO-PURCHASING THRESHOLD

Is your purchase valued over the small purchase threshold?

NO

You can conduct an informal purchase

YES

You must conduct a formal purchase

Is your purchase valued under the small purchase threshold?
Michigan: \$3,500



MICRO-PURCHASING THRESHOLD

\$3,500

- Does not require multiple bids
- Intended to minimize the burden for purchases of very small amounts

MICROPURCHASE THRESHOLD





MICRO-PURCHASE THRESHOLD

- Competitive Purchasing
- Documentation of cost analysis
- Equitable purchasing



LOCAL MICRO-PURCHASING

- Special Event
- Surplus purchases
- Build flexibility into your menu for seasonality
- Support a special program (Harvest of the Month, Farm to School)

GANDERVILLE, MI

2016 Apple Crunch

- October 13 – needs local apples for 4,000 students

Surplus purchases

- Farmer has surplus cherry tomatoes – menu swap!

Seasonality

- Swap green beans for Asparagus in April

Plan in Advance!

- If it falls under the threshold!

Join us at noon on Thursday, October 22, 2015



APPLICATIONS OF LOCAL

- USDA Foods and DoD Fresh
- Child and Adult Care Food Program (CACFP)
- Fresh Fruit and Vegetable Program

USDA FOODS & DOD FRESH

➤ **When school districts order their USDA Foods or DoD Fresh Produce, local items may be available.**

➤ USDA Foods program

➤ Peterson Farms Apple Slices

➤ Department of Defense (DoD) Fresh Produce Program

➤ SY 2014-2015: 40% local

➤ SY 2015-2016: 32% local

➤ Apples, celery, and root vegetables!

CHILD AND ADULT CARE FOOD PROGRAM (CACFP)

Small (Informal) Method of Procurement vs. Large Method

- Most CACFP procurement falls under the small purchase threshold of \$150,000 for Federal Child Nutrition Programs
- Local food purchasing decisions are to be documented using the Informal Procurement Method to ensure full and open competition
- Additional information: www.michigan.gov/cacfp
FY 2015 Operational Memo Procurement #3

FRESH FRUIT AND VEGETABLE PROGRAM

- **There are many ways to incorporate local foods into the Fresh Fruit and Vegetable Program (FFVP), including:**
 - Choosing local options when available and noted from existing (make sure contracts include FFVP):
 - Food service management companies
 - Vendors
 - Purchases for individual items (e.g., apples or turnips)
 - Relationships with local farms for multiple fresh fruit and vegetable items
 - Purchasing from school gardens or school farms

ADDITIONAL RESOURCES

mifarmtoschool.msu.edu

- Guides
- Informational sheets
- Technical Support



USDA Procurement

- <http://www.fns.usda.gov/farmtoschool/procuring-local-foods>
- Fact Sheets
- Webinar Series
- Procurement Guide



THANK YOU

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