

FARM TO INSTITUTION FOOD PROCUREMENT PROCESS 101

A BASIC GUIDE TO UNDERSTANDING THE INSTITUTIONAL MARKETPLACE

Institutional purchasing can vary, however an overview on most common purchasing practice are as follows:

- Most institutions purchase under contract with an approved vendor.
- Vendors are approved if they demonstrate the ability to meet standards as outline by the institution's proposed procurement.
- Institutions often buy under contract with approved vendors who have successfully responded to Request for Proposals (RFP) or Bids:
 - Institutions, such as schools, are implementing Bids that request locally grown and raised products.
- RFP/Bid are official open call to vendors that can meet the institution's procurement request. RFP/Bid can be:
 - Specific to product category and may contain specifics such as product specs and quantity,
 - Designate specific services such as delivery destinations, packaging, and frequency of deliveries, as well as other additional services.
 - Are conducted under open and fair competition. This specifically impacts any institutions that use federal dollars, which requires any type of purchasing, are conducted under free and open competition.

SFA Direct Purchase: Purchasing Compliance

Basically, there are federal and local regulations on how School Food Authorities (SFAs), just like any other entity using federal funds, can purchase, though local rules can only be stricter than federal guidelines, not looser. In any case and any type of purchasing, there must be free and open competition.

Direct from Farm Purchasing, especially Farm to School purchasing programs, have ignited a collaborative effort between institutions and local producers. The following are some highlights to consider when responding to Bids that request locally grown and raised foods:

- **Geographic Preference:** Under the 2008 Farm Bill, institutions operating under Child Nutrition Programs (federally funded programs) are allowed to specifically define geographical areas from which they are seeking to procure unprocessed local agricultural products:
 - Provides point or price point advantage to vendors and producers who meet the geographic preference guideline,

- Vendors and producers are still obligated to meet conditions outlined in the bid such as:
 - Food Safety such as on-farm food safety plans:
 - Institutions have developed on-farm food safety checklists that are included as required documentation,
 - May include on farm visits.
 - Pricing sheet
 - Product specs including quantity
 - Delivery capacity
- Institutions that purchase direct from farms are introducing their bids to coincide with producers planning and growing season.
- Institutions are working with several producers to secure large quantities of products:
 - In other words, one single farm is not responsible to provide ALL requested products and quantity,
 - Producers can respond to bids based on their individual production capacity.
- Communication is key. If an anticipated product does not come into season or quantities are different (less or more), communicating these elements timely to the institutional buyers allow institutions to tap into their back up sources. Most institutions have purchasing agreements with large vendors that can supplement product needs.
 - Share farm practices and other products that may not appear under the original bid.

School Food Procurement purchasing methods available to SFAs¹:

- Informal procurement method: is formally known as the small purchase or simplified acquisition threshold. The small purchase method is a relatively simple and informal procurement method that is appropriate for a procurement of goods and services of a certain amount. Some significant items regarding informal procurement:
 - An SFA may directly contact potential competitive sources.
 - Currently the federal small purchase threshold is \$150,000. The **small purchase threshold** determines whether to use the informal or formal procurement method.
 - It is important to note that though the federal threshold is \$150,000, states and school districts can set their own thresholds, and in Colorado, typically do.

¹ Compiled in part by *An Overview of School Food Procurement in Colorado*, March 2011, WPM Consulting LLC.

- Districts are required to abide by the lowest threshold, whether it be the federal, state, or district regulation, with the district threshold typically being the lowest – for example, some times as low as \$25,000.
 - Small purchasing thresholds can be helpful when purchasing locally with individual producers though the process must still be open and competitive.
 - Using this method of purchase is simpler and could make local procurement and direct purchasing more accessible – possibly making it easier for SFA's to purchase large amounts directly from local producers.
 - **Sole Source:** means there is only one source of the item and, accordingly, no price competition. Allows for an SFA to purchase direct from a specific vendor for an identified product that cannot be supplied by any other vendor.
 - Most procurement officials will suggest that an SFA thoroughly document their process to ensure that they made an effort to identify that this vendor and product deserves a sole source category.
- **Formal procurement method:** If the value of an SFA's procurement meets or exceeds the applicable federal, state, or local threshold for small purchases, the SFA must use the formal, more rigorous method of procurement. This is referred to as a formal procurement method. The two formal procurement methods available are:
 - **Competitive Sealed Bidding**, commonly referred to as sealed bidding is a method of procurement in which sealed bids are publicly solicited through an invitation for bid (IFB) which:
 - results in the award of a firm-fixed price contract, fixed price contract with economic price adjustment or
 - fixed price contract with prospective price redetermination, to the responsible bidder whose bid is responsive to the invitation for bid IFB.
 - Responsible bidder conforms to all the material terms and conditions of the invitation for bids, and is lowest in price.
 - **Competitive Proposals.** A competitive proposal, or a request for proposal (RFP), is a method of procurement whereby a technical proposal is solicited that explains how the prospective contractor will meet the objectives of the solicitation and a cost element that identifies the costs to accomplish the technical proposal.
 - Both the IFB and RFP require public advertisement.