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)

<table>
<thead>
<tr>
<th>Per Lb</th>
<th>Conventional</th>
<th>Practical Org.</th>
<th>Certified Org</th>
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<tbody>
<tr>
<td>Cherry Tomatoes</td>
<td>$2.50-$3.50</td>
<td>$4.50-$5.00</td>
<td>$5.00-$5.50</td>
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<td>Red Tomatoes</td>
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<td>Spinach</td>
<td>$7.00-$8.00</td>
<td>$7.00-$9.00</td>
<td>$10.00</td>
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<td>Head Lettuce</td>
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<td>$2.50-$3.00</td>
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<tr>
<td>Carrot</td>
<td>$2.00</td>
<td>$2.25-$3.00</td>
<td>N/A</td>
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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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