

CHAPTER FIVE

Institutional Food Procurement: Barriers and Opportunities for Montana Growers/Processors

5.1 Introduction

Family farms have played an important role in Montana's tradition of self-sufficiency, forming the bedrock of communities across the state. Although agriculture remains the state's number one industry, the number of Montanans that claim farming as a primary occupation continues to decline and the state's rural communities are suffering. In other states and countries there has been a revitalization of some rural economies, in part led by a movement towards purchasing food produced locally or regionally. Public institutions have played an important part in this revival, by purchasing fresh, healthy, locally grown and processed food, with a resulting multiplier effect throughout rural communities. In Montana, information on the quantities and types of local food purchased by public institutions has not generally been readily available and opportunities that institutions may present as a market for food produced in Montana have not been fully understood.

This study has summarized the results from a detailed analysis of food procurement practices and policies at Montana's public institutions. Chapter Two provided an overview of the supply chain for the procurement of food at public institutions. Chapter Three estimated the value, volume and size of Montana's institutional market. The results from interviews with buyers suggest that the fruit and vegetable, meat, bakery, dairy and "other" food categories have the most potential for Montana growers/processors seeking to sell to public institutions. Chapter Four, provided a summary of Montana's agricultural production and food processing capacity and highlighted the types of food products that Montana businesses sell to public institutions. In this final chapter, an analysis of the potential opportunities for increasing the volume and value of Montana-grown and processed food sold to Montana's public institutional food service market is provided (Section 5.2). A summary of the barriers that both public institutions (demand side barriers) and growers/processors (supply side barriers) face is provided in Section 5.3, while examples of best practices from other states and countries are presented in Section 5.4. In Section 5.5, a description of Montana's current and potential food production, processing and distribution capacity with respect to selling food to public institutions is presented. Finally, recommendations are developed in Section 5.6.

5.2 Opportunities for Local Procurement

"One of the most powerful and promising trends in America in recent years has been the growing appreciation of locally produced foods and the recognition of the need to support local farms¹."

¹ "Putting a Face on our Food: How State and Local Food Policy can Promote the New Agriculture" Drake Journal of Agricultural Law (2003)

Within Montana's public institutions there is an increasing demand for fresh and healthy food and a wish to support Montana's growers/processors and the regions economy. This movement has been led by the University system. Both the University of Montana and Montana State University have initiated programs aimed at sourcing food produced in the state and the region. The University of Montana's acclaimed Farm to College program has been showcased in national magazines such as Time (November 2005) and newspapers including the New York Times. In 2005, UM-Missoula purchased approximately 13% of its food from regional sources. MSU-Bozeman's more informal local supply initiative purchased approximately 10% of its food from Montana producers. Key drivers that have led to an increased awareness of regional foods and increased market potential include:

- Poor overall nutrition and the associated increase in obesity and nutrition related diseases have led to increased interest in healthy food alternatives.
- Local food is perceived to be fresher, healthier, taste better and be more environmentally friendly than food shipped long distances from other states or countries².
- Purchasing local food strengthens the region's economy by keeping dollars circulating in the community^{3,4}.
- Buying food grown/processed within the region can improve national food security.

These factors have stimulated media and public interest in consuming regionally or locally produced healthy, fresh food.

Interviews with public institutions conducted as part of this study revealed that many procurement managers exhibited a genuine and growing interest in purchasing more food produced in Montana. This interest is tempered by cost, quality and other considerations (discussed in Section 5.3), however it is clear that a significant market exists. Table 5.1 provides a summary of the key findings from interviews conducted during this study. Public institutions and distribution channel members are ranked in accordance to their perceived interest and the potential for increasing the volume of food they source regionally. K-12 institutions are ranked ahead of universities because the Montana universities have already started to initiate programs that are strengthening local food supply chains.

² Fruits and vegetables shipped from distant states and countries travel an average of 1,300 miles and can spend as many as 14 days in transit before they reach institutions.

³ Grow Montana notes that increasing consumption of Montana grown foods by 15% would return an additional \$450 million to local communities.

⁴ "Farm to Cafeteria Connections" Marketing Opportunities for Small Farms in Washington State" Washington State's Department of Agriculture (2004) suggests that "when individuals or institutions purchase goods and services from a local business, each dollar spent creates \$5 to \$14 in value for the local community.

Table 5.1: Summary of Interest in Regional Food

Institution	Annual Food Expenditures	Interest
1. K-12	\$18,930,000	<ul style="list-style-type: none"> - The Office of Public Instruction has tentatively agreed to include a session on developing farm to school programs that highlights local food supply chains at their annual summer conference in 2006. There is an opportunity to showcase how examples of best practice can be incorporated into school programs. - Individual schools are piloting Farm to School programs - Timing is right, with the 2004 federal wellness initiative that requires school districts to create integrated health programs that will specify nutrition guidelines and physical education goals by fall 2006.
2. Public Universities	\$7,660,000	<ul style="list-style-type: none"> - There is a lot of interest in local and regional food, driven by food service directors. Students and food nutritionists. - Very successful schemes are operating at both UM and MSU - Other campuses are piloting test programs.
3. Prisons	\$2,750,000	<ul style="list-style-type: none"> - Although prisons are extremely cost conscious, some purchasing managers would like to incorporate more Montana grown food into menus and programs if it can be purchased at competitive prices. - Montana State Prison and its food factory would appear to offer the greatest opportunities through the Food Factory.
4. Wholesaler Distributors		Rarely approached by Montana-based grower/processors.- Sysco has developed local product distribution initiatives in other states and could potentially expand these to Montana. Sysco currently carries select products for The University of Montana's Farm to College Program.
5. Public Hospitals	\$1,000,000	<ul style="list-style-type: none"> - Generally very little interest in Montana grown/processed food. - It would need to be sourced through a regular distributor to facilitate ease of ordering and delivery.
6. Food Service Management Companies		<ul style="list-style-type: none"> -Sodexo runs institutional dining service operations in Billings and Helena. -Institutions that are managed by food service management companies typically have their purchasing decisions made at out of state company headquarters and food is transported by national distributors. -There are national examples that Sodexo and Aramark are responding to public interest by increasing supplies of local/regional foods. - To date, these initiatives do not appear to have been replicated in Montana.

In Chapter Three, it was suggested that public institutions in Montana purchased approximately \$33.7 million⁵ of food in 2004/05. If one assumed for the sake of comparison that none of these expenditures are currently for Montana-produced items, a 10 percent increase in the value of food purchased by Montana's institutions that is grown or processed within the state would bring almost \$4 million directly into the state's economy. Other researchers estimate that multiplier effects of between 1.8⁶ and 15⁷

⁵ This figure is still likely to underestimate the true market size. For example, there is no way of accurately estimating food purchases by schools outside of the SNP.

⁶ De Lind, L. B., (2000). "Local Food: 'There's no place like home'," Strategies, Policy Approaches, and Resources for Local Food System Planning and Organizing, K. A. Dahlberg, K. Clancy, R. L. Wilson, J. O'Donnell, (eds), University of Michigan,

would add an additional \$7 million to \$60 million to our local communities. There are real opportunities, and institutions such as the University of Montana provide examples of best practice that should be useful for other institutions seeking to purchase more regional food, as well as the food suppliers that service them.

In the next section public institutional barriers to procuring food from Montana-based suppliers are discussed.

5.3 Barriers to Procuring Montana Food

The main barriers associated with developing Montana based food supply chains are consistent throughout the state and the nation and across institutional categories (although distribution and logistical problems are of greater concern in sparsely populated Eastern Montana). Most have been identified in previous studies in other states and countries.⁸ Many of these barriers also constrain Montana growers and processors as they attempt to sell to non-institutional buyers such as retail stores and restaurants. The sections that follow provide a summary of these barriers from a local grower/processor perspective (supply side barriers) as well as procurement perspective (demand side barriers); based on the results of interviews conducted as part of this study. Details of the steps required to overcome these barriers are provided in italics at the end of each section or in accompanying exhibits.

5.3.1 Supply side

The results of many studies referenced in the chapter and interviews conducted by this studies author's suggest that many local growers/processors feel daunted by the public sector procurement process. The food supply chain is often process-driven and is therefore not user-friendly for small or new suppliers. Most growers/processors' knowledge of the public institution procurement process is limited. As a result, many of Montana's food producers have not traditionally seen selling to public institutions as a viable option⁹. Other supply side constraints or barriers are summarized in the paragraphs that follow and include:

⁷ "Farm to Cafeteria Connections" Marketing Opportunities for Small Farms in Washington State" Washington State's Department of Agriculture (2004)

⁸ For example:

"Attracting Customers with Locally Grown products" University of Nebraska, (2001)

"Farm to Cafeteria Connections" Marketing Opportunities for Small Farms in Washington State" Washington State Department of Agriculture (2004)

"Food for Thought: Food with the Farmers Face on It" Media Briefing Paper written for the Kellogg Foundation, Ken Meter (2003)

"Healthy Food, Healthy Hospitals, Healthy Communities: Stories of Healthcare Leaders Bringing Fresher, Healthier Food Choices to their Patients, Staff and Communities" Institute for Agriculture and Trade Policy (2005)

"How Local Farmers and School Food Service Byers are Building Alliances", USDA Agricultural Marketing Service (2003)

"Institutional and Commercial Buyers' Perceptions of Benefits and Obstacles to Purchase of Locally Grown and Processed Foods" Leopold Center for Sustainable Agriculture, Competitive Grant Report 01-38 (2003)

"Local Food Connections: Food Service Considerations" Iowa State University Extension (2003)

⁹ At the same time the large number of Montana companies selling food to public institutions illustrates that they can be a viable market.

i. Lack of Capacity of the Local/Regional Supply Base

A review of public institutional demand for food in Chapter Three and regional food production in Chapter Four highlights that the supply of many foods (especially those in a convenient ready-to-use form that institutional buyers prefer) within the region is very limited. In addition:

- Montana's unique geographic characteristics strongly influence the types of crops/produce that can be feasibly grown in the state. Montana is never going to provide the range of products that states like California are currently producing. Out-of-state food supplies of some products are a long-term reality.
- The seasonality of fruit and vegetable production means Montana growers cannot provide a year round supply. Although some produce and fruit such as apples, carrots and potatoes can be stored for as long as 9 months there is a lack of storage infrastructure in Montana. Some institutions are willing to seek alternative sources of supply for part of the year if they are made aware of what quantity of Montana products are available and when they are available. Opportunities will also be increased if investment in storage capacity or establishing freezing or canning facilities is economically feasible. The seasonality problems do not exist for most other agricultural products, but there are many areas where Montana does not have a comparative or competitive advantage in comparison to other states and countries.

Increasing the capacity of the local/regional supply base will be a long-term endeavor that will require significant investment from the private sector. Economic and market feasibility need to be assessed, but if increased demand from public institutions is developed (for example, in schools through the Wellness Initiative) market forces may play a role in bringing about the necessary advancements in supply.

ii. Lack of a Processing infrastructure

The lack of an appropriate processing infrastructure limits the potential for supply of many food products from within Montana. A detailed analysis of this barrier was presented in Chapter Four.

- In many cases limited or non-existent kitchen facilities and a lack of trained labor resources at public institutions restrict the procurement of more fresh vegetables or meat carcasses. K-12 schools and many other institutions prefer to purchase cooked meat, as it is more convenient to heat and there is less waste (fat/oil), which is difficult for them to dispose of.
- Montana lacks the commercial processing capacity to provide many food products in a form that is more convenient for the end user (for example carrot slices or chill-and-serve meals, or cooked meat cuts/processed meats).

- Dried, frozen and canned food allows for less frequent deliveries, which for economic reasons are often necessary in rural Montana’s public institutions.
- The supply of Montana grown and processed, frozen or canned fruits and vegetables would require investment in facilities and other resources that may or may not be economically feasible¹⁰.

Montana’s processing infrastructure could be increased by developing more value added food businesses¹¹. It is recommended that an analysis of best practices from other states/regions and the strategies for developing the value adding and processing infrastructure in Montana be formulated and implemented.

iii. Distributional and Logistical Challenges

Montana’s large geographic area and low population base makes it one of the most sparsely populated states in the nation. Therefore, with the exception of large dairy processors and large bakeries, it is not economically feasible for most food producers to distribute to public institutions throughout the state themselves. As a consequence, many Montana-based growers and processors may find it most economical to focus on supplying institutions they are close too, rather than those located outside their immediate geographical area. Other producers may be able to work with distributors such as Sysco, or coordinate delivery with other nearby producers. North Carolina’s Farm to School Program—operated as a partnership between the state’s Department of Agriculture and the federal Department of Defense, purchased trucks to coordinate delivery of fresh, locally-grown produce to North Carolina’s public schools.

Working with large national distributors such as Sysco, smaller regional distributors such as Butte Produce, or producer cooperatives is normally necessary to deliver efficiently throughout the state (for more details see Section 2.4). Some companies such as the Western Montana Growers Cooperative and Lifeline Farm “piggyback” on each other’s distribution systems to deliver to customers outside of their normal delivery range¹². An example of how Montana Natural Beef is attempting to develop partnerships to overcome distribution and logistics challenges is provided in Exhibit 5.1.

Exhibit 5.1: Montana Natural Beef: The Importance of Building Partnerships¹³

Montana Natural Beef was founded in 1999 by a group of Western Montana producers who raise beef on their family-owned ranches. Their cattle are reared on the open range and then naturally fed under the

¹⁰ One large public institution surveyed during this study indicated that they may be willing to explore partnering with a produce grower/distributor and share in the costs of processing it to a more convenient ready to use form.

¹¹ More details are provided in section 5.5.

¹² Studies in the UK have looked at the feasibility of establishing local food centre hubs. These hubs would contain storage, washing, packaging, meat-cutting and closed organic facilities. Management of orders would be processed through the hub, so small producers could derive the benefits of economies of scale in processing and distribution. (Professor John Whitelegg “*The London Sustainable Food Hub: Opportunities for a Sustainable Food Logistics Centre for London*” London Development Agency (2005))

¹³ After the first draft of this study was written, it was learned that the potential partnership between Montana Natural Beef and RMGS failed to eventuate. However, this case study has been included in this report as it provides an example of the types of partnerships that can be developed between Montana-based suppliers.

close supervision of feed experts using specially formulated feeding programs. Located at the Mission Mountain Food Enterprise Center, the company has been successful in obtaining a price premium for high valued cuts such as ribeye, prime rib and skirt steaks in markets like Chicago. However, they have struggled to sell their low valued cuts and ground beef at a sustainable price, cope with distribution/logistics issues or meet the volume requirements that the market demands. A recent “win-win” partnership with Rocky Mountain Gourmet Steak (RMGS) and the University of Montana has helped to increase sales volumes, developed a market for the lower value cuts that they need to survive, and may provide Montana Natural Beef with future distribution and marketing support.

RMGS has operated a federally inspected slaughter plant in Missoula for over 40 years and as such has considerable experience in marketing and distribution. Initially RMGS ground and fabricated, froze and packaged Montana Natural Beef patties in 5 or 10 pound bags, before distributing them to the University of Montana. As a result of this initial success, Montana Natural Beef is currently discussing utilizing RMGS’s considerable marketing and distribution expertise to assist them to distribute to non-institutional buyers.

“The Farm to College Program has helped move bottom end cuts that they otherwise could not have sold. The partnership with RMGS and the University was a direct result of the Farm to College program. It has also opened the door to other institutional buyers such as St Patrick’s Hospital in Missoula (managed by Thomas Cuisine). There is something about Montana’s Buy Fresh, Buy Local Campaign (sponsored by AERO) that helped establish a direct and honest dialogue.”

Will Tusick Montana Natural Beef

iv. Issues of Scale

Some of Montana’s growers, particularly vegetable producers, prefer to sell small quantities of what they produce at farmers markets or directly to retail and restaurants at retail (or higher) prices rather than develop bulk wholesale orders for institutions. Other small Montana growers and processors do not have a business background, a marketing focus to adequately develop the relationships, or the capabilities to invest in developing new products or markets. As such, they are not usually a good match for institutional buyers or the distributors that supply them.

Small processors often have a relatively high cost structure due to the lack of economies of scale and a lack of resources for marketing or business development activities. If they can compete on price, quality, freshness, delivery and other factors that institutional buyers are looking for, they may be able to sell directly to public institutions. However, many are unlikely to meet the sophisticated requirements of prime vendors/distributors, or food service management companies that are needed if a grower/processor seeks to distribute to institutions throughout the state. Their relative size can also be a limiting factor in their ability to meet the volume requirements of large institutional buyers (for example see Exhibit 5.2). However, there are numerous examples of Montana companies that have the commitment and ability to sell to public institutions. These were presented in Chapter Four. Wheat Montana and Montola have accessed many public institutional markets. Other small Montana companies (for example, Senorita’s Specialty Salsa and Almatheia Dairy) are selling niche products to the universities that are often resold through their retail stores or catering services.¹⁴ In summary, size is not a barrier if

¹⁴ Retail outlets are unique to Universities. Most other institutions do not have retail stores and therefore opportunities to pass on additional costs to consumers.

companies can differentiate, find their niche within institutional markets, and have the ability and commitment to be competitive.

Exhibit 5.2: Size Matters

“Some of the problems arise from the size of the companies involved, with some being too small to be able to cope with the hospitals’ strict requirements. The media interest in the project, for example, led to a number of small producers and suppliers approaching the project officers in the hope of supplying the hospitals involved. Some simply did not have the necessary administrative systems, particularly health and safety audits and accreditation, but also relatively straight-forward systems such as computerized ordering. Others had no way of making deliveries. Sometimes it was possible to solve these problems – and indeed some companies who brought themselves up to hospital supply standards were then able to supply customers. On other occasions, other more suitable suppliers had to be – and were – found. At the other end of the scale, some suppliers were simply too big. Some large scale producers have a number of fixed markets and contracts, for example with supermarkets, which means that they cannot guarantee a regular supply of smaller volumes of produce to hospitals.”

Source: Sustain (2005)¹⁵

Institutional buyers and distributors typically require a grower/processor to have:

- product liability insurance;
- assured levels of quality;
- adequate supply volumes;
- promotional/marketing materials;
- correct packaging and labeling;
- adequate systems of ordering and delivery;
- compliance with state and federal sanitation, food handling and regulatory environmental and food safety requirements; and
- competitive prices.

An example of how institutional buyers and Montana’s food producers need to be willing to work together to overcome these barriers is presented in Exhibit 5.3.

Exhibit 5.3: Supplier Abilities and Commitment

Some public institutions, such as the **University of Montana**, are prepared to work with Montana-based suppliers to provide products that are generally preferred by their students. This will typically involve taste tests and sometimes changing recipes to meet university standards. Some suppliers have embraced the initiative, made changes to their products, packaging or delivery and have become part of the Farm to College program. Others have declined and consequently lost potential sales opportunities.

Supplier commitment and a marketing approach with a focus on customer needs (in this case, institutional buyers' needs) is necessary for success. Like any other buyer, institutional purchasing managers require:

¹⁵ “Getting More Sustainable Food into London’s Hospitals: can it be done? And is it worth it?” Sustain – The Alliance for Better Food and Farming (2005)

- *the **right product** in a convenient form (this often includes labeling and packaging);*
- *in the **right place** (distributed regularly to their location);*
- *with the **right promotional material**; and*
- *at the **right price** (competitive pricing).*

Case studies that illustrate some of the barriers that Montana food producers face when selling to public institutions have been provided throughout this report. They clearly show that Montana companies such as Montana Natural Beef have succeeded in selling to public institutions by repeatedly meeting with institutional buyers and adapting their products, distribution and service levels to meet buyer needs. Exhibit 5.4 illustrates how Bausch Potatoes has adopted a marketing approach and focused on customer needs in order to successfully supply public intuitions. Others have not, as is illustrated in Exhibit 5.5. Selling to institutions is not sensible for all Montana food producers, particularly if they have opportunities to increase market share in other less price-sensitive markets.

Exhibit 5.4: A Marketing Approach and Focus on Customer Needs is the Key to Success

Bausch Potatoes is a Whitehall-based potato grower/processor that distributes to several public institutions in Montana once or twice a week¹⁶. They occupy a market niche and supply fresh fries and partially baked fresh potato products which they believe taste better than frozen products. Their products also have a longer shelf life than competitors' fresh products that take days to reach here from other states. The company believes that a marketing approach, including a focus on adapting products, distribution systems and service levels to meet customer needs, is one of the keys to their success.

Bausch sold potatoes to MSU for many years, but there appeared to be a “steel curtain” that prevented them from accessing buyers at other institutions until the University of Montana launched its Farm to College Program in 2003. The program “opened the door” to Bausch, who met with purchasing mangers at UM and other institutions and was able to prove the quality and competitive price of their products (some institutions were able to save as much as \$2 per bag by buying from Bausch).

Initially, their regular fries did not hold up well under lamps in the buffet at some of the new institutions. As a result, Bausch spent several days with each institution, cooking for them and learning about the process. They developed a partially baked product line that better meets the needs of institutional buyers and continue to meet regularly with buyers to address potential new problems before they occur. Distribution costs to local restaurants in the areas where the public institutions they supply are located have also been reduced considerably. John Pickett, sales manger at Bausch Potatoes believes that Montana companies seeking to sell to public and other institutions need to meet Sysco/FSA standards. He also stated that Farm to Cafeteria programs can help Montana food producers compete on an equal footing, but they need to meet the volume, quantity and price requirements of buyers.

Source: Interview with John Pickett: Sales Manager, Bausch Potatoes

¹⁶ They use their own trucks to distribute to MSU and UM and a local distributor to transport their products to other institutions such as those located in Dillon and Helena.

Exhibit 5.5: Not for Everybody

Montana-based producers must follow a marketing approach and focus on satisfying customer needs if they are going to successfully sell to public institutions. Interviews revealed that a number of Montana companies are unwilling to accept wholesale prices, or change their delivery or ordering process to meet the needs of institutional buyers.

Institutions buy in bulk, consequently wholesale, NOT retail, prices are paid. Selling through a distributor or distribution/marketing cooperative will require a further substantial drop in price to cover the costs of distribution. Public institutions are not a suitable marketing outlet for growers/processors wanting retail prices.

Similarly, institutions do not have time to chase orders; when a delivery or pick-up date is agreed on, failure to follow through and a lack of communication is not acceptable. There are plenty of alternative and operationally easier sources of supply for institutions to pull from.

5.3.2 Demand Side

Enhancing the development of Montana-based food supply chains that feed public institutions requires supply to match demand. Barriers that institutional buyers face when purchasing or attempting to purchase food produced by Montana-based growers/processors include:

i. Lack of Customer Demand/Supply Chain Communication

A recent UK study concluded that a lack of demand was the major barrier to increasing the quantity of food public institutions purchase regionally¹⁷. Interviews with institutional food buyers in Montana have revealed:

- In many instances, food buyers and kitchen staff do not have knowledge of where the products they buy are grown or produced or how to access growers/processors. Montana Department of Agriculture's "Montana Food and Beverage Directory 2005/06" and "Abundant Montana, AERO's Directory to Sustainably Grown Montana Food" are invaluable resources and should be used to locate Montana-based producers of quality food.
- Other procurement managers are more interested with the timely requirements of the procurement process (for example tendering, and logistics) rather than where the food comes from.
- The amount of staff time needed to develop and maintain relationships with vendors means many institutional buyers prefer a "one stop" shopping process when purchasing food that incorporates:
 - ordering;
 - payment; and

¹⁷ "Food and Drink in Yorkshire: Regional Supply chains Mapping Study", Yorkshire Forward, 2005.

➤ delivery.

- Institutions that are managed by Food Service Management companies typically have their purchasing decisions made at out-of-state company headquarters and food is transported by national distributors.
- Many public institutions lack food storage, preparation and handling infrastructure, having inadequate kitchens and storage capacity.

Yet, as indicated earlier more general consumer studies find growing demand for locally grown food. A national survey involving researchers from 12 universities and 819 randomly selected respondents found that 70 percent of the respondents would pay more for locally-produced food¹⁸. Further, researchers at The University of Montana found that most respondents in a survey of Missoula County residents were concerned about “how far away the food I eat/buy comes from¹⁹.”

In order to meet the growing popular demand to buy locally or regionally produced food; food service managers and kitchen staff must be flexible and willing to change. They need have the ability to:

- *change purchasing decisions and criteria (in some institutions changes require approval by general administrators, the accounting department, or a board of directors);*
- *create new programs, such as Farm to Cafeteria;*
- *have support at the highest level of decision-making within the institution;*
- *develop relationships with Montana-based growers/processors;*
- *make changes in food service operations (for example develop menus that reflect seasonal produce, allow for increased time associated with food preparation and ordering procedures); and*
- *have a committed and dedicated leader (see Exhibit 5.6).*

Exhibit 5.6: Project Champion

“It helps enormously, of course, with any innovative project if there is an immensely energetic and committed individual to drive progress. However, just as it is obvious that having such a dynamic individual improves the success of any project it is equally obvious that not every hospital, school, or care home will have such a person. Good practice will not spread if it relies on extraordinary people. The food supply chains we have begun to establish will have to become routine, if society as a whole is to reap the most benefit.”

Source: Sustain (2005)¹⁴

¹⁸ Wimberley, Ronald. “The Globalization of Food: How Americans Feel About Food Sources, Who They Trust, Food Security, Genetic Modification, Food Labeling and the Environment.” <http://sa.ncsu.edu/global-food>.

¹⁹ *Food Matters: Farm Viability and Food Consumption in Missoula County, 2004*. Retrieved from www.umt.edu/cfa/.

ii. Budgetary Limitations/Product Costs

There are real issues relating to budget constraints facing public institutions. These include:

- Most Montana institutions surveyed expressed concern that many Montana-based suppliers were not price-competitive. However, the University of Montana's total food expenditures have decreased since launching its Farm to College program, which in part may be due to a reduction in the waste levels/spoilage associated with better quality or fresher local foods and higher yields.
- While some institutions such as universities can pass on increased costs to students or external catering events, others, such as prisons, cannot.
- All public institutions in Montana are under pressure to provide meals and food at a low cost (for example, see Exhibit 5.7).

Exhibit 5.7: Living with Budgetary Constraints

Tight budgetary constraints have resulted in many schools sourcing as much as 75% of food requirements through OPI programs, although there is concern that some items are being delivered at or near expiration dates. For example, a school in the Bitterroot Valley is interested in trying to improve their access to fresh fruits and vegetables. They do not currently access food from the Department of Defense Fresh Fruit and Vegetable Program, however, they are interested in learning more about it. Currently additional fresh produce is sourced from Sysco, however, delivery issues have limited the effectiveness of this system. Although the school would like to use food produced in Montana, local suppliers lack of product liability insurance and cost concerns have stopped any purchases from occurring. The results of the interview suggested that a local food initiative needs to have the support of the OPI to benefit remote rural schools with tight budgetary constraints.

Information presented in Exhibit 5.8 illustrates that some Montana companies, such as Montola Growers, have been able to be compete successfully despite having a higher per unit price.

Exhibit 5.8: A Superior Product

Montola Growers Inc., located in Culbertson, Montana, produces high quality, healthy vegetable oils for the food industry. Montola's proprietary safflower oils are among the world's most healthful food oils, being superior to olive oil for high oleic content, low saturated fat and trans-fat free. Montola distributes bottled safflower oil to some Montana institutions through Sysco. A number of institutional buyers surveyed indicated they could not afford to buy Montola safflower oil because it is priced higher than commodity products or Sysco's own brands. However, UM chefs believe that the product lasts longer and has less waste than competitive products, making the overall cost of using Montola less or equal to that of competing brands. Similar arguments can be made relating to purchasing some Montana beef and burger products, which may cost slightly more, but have considerably less shrinkage while cooking.

iii. State Procurement Policy

The State of Montana requires that public institutions accept the lowest cost bids on all purchases from a vendor that are valued at more than \$5,000 per annum/contract.

- Many institutions have developed innovative ways to purchase food produced in Montana, while still operating under state guidelines. However, state procurement laws are an added barrier to any institution that wishes to purchase food from Montana at a price that is higher than current market rates (i.e. higher than they would pay for food grown in California, Chile or other states or countries).
- Produce is exempt from state procurement rules and, as such, offers an avenue for Montana-based food producers that may not be available in other industry categories. Creation of opportunities through this market segment may lead to developments in other categories such as food service and retail.

While supportive of developing Montana-focused food supply chains, almost all institutional buyers interviewed were confused about the objectives of a bill in Montana 2005 Legislature aimed at giving state institutions the option of applying a 10% bidding preference to vendors of Montana-produced food. They appreciated efforts to provide them with a greater choice when purchasing food produced in Montana. However, some believed this legislation would force them to purchase food produced in Montana at a higher price, even though the bill's preference was strictly voluntary. Some suppliers were also concerned about the potential for retaliation against Montana vendors bidding on neighboring states' contracts.

Any efforts to change Montana's food procurement laws should offer institutional buyers more flexibility in purchasing local food without requiring it. Working with staff that manage Montana's School Nutrition Programs to help K-12 schools gain access to fresh or healthy competitively priced Montana food products may have a greater impact on local food supply chains.

iv. Other Factors

Other demand side concerns include:

- existing prime vendor contracts;
- minimum delivery requirements, and
- concerns over the safety of food served to patrons.

A study by Dr. Neva Hassanein, Associate Professor of Environmental Studies at the University of Montana, that accompanies this report provides real examples of how Montana growers and processors have overcome these barriers and are selling successfully to institutions. Enhancing local food supply chains to serve Montana's

public institutions will require change from Montana's institutional buyers as well as the farmers/processors that serve them.

5.4 Examples of Best Practice

There are numerous examples of how food producers, public institutions, distributors, food service management companies, state Departments of Agriculture and others have worked together to support the development of supply chain linkages between local producers/processors and public institutions. These programs and examples of success stories are extremely well documented and therefore are not explored at length in this report.

i. Farm to Cafeteria

In many states, Farm to Cafeteria programs have been developed to help promote and serve locally produced and processed foods to K-12 schools, colleges, hospitals, prisons, nursing homes, and other institutions. These programs take many forms including:

- incorporating local foods into everyday menus;
- hosting special event meals utilizing locally produced food;
- establishing farmers markets at hospitals;
- developing nutrition curricula around school gardens; and
- co-coordinating field trips to farms.

Examples of farm to cafeteria programs are provided in Exhibit 5.9. The majority of reports describing programs in other states have highlighted the success that fruit and vegetable growers have had in selling to institutional buyers. One reason for this success is that for fresh produce farmers in other states already sell on the commodity market place and are willing to accept commodity prices. In addition, the investment in brand development, marketing, and developing an experienced management team is relatively low in comparison to many other value added food sectors and, as a result, farmers can take an active role in the process.

While many Montana farmers are excellent producers of commodities, most feel less comfortable developing and implementing marketing campaigns or managing value added businesses. Ways to help them overcome this discomfort need to be explored. In most instances entrepreneurs rather than traditional farmers are better equipped to successfully develop and market value added food products to institutions and other markets.

Exhibit 5.9: Examples of Farm to Cafeteria Programs

Santa Monica Unified School District, California, has a “Farmer’s Market Salad Bar” featuring local produce picked up at farmers' markets and then distributed to the district’s schools. In the school year, \$100,000 is spent on local food supplies, purchased directly from 20 local suppliers. In the winter, local potatoes are featured as part of a baked potato bar.

The **Local Food Project** coordinated through the **University of Iowa** enables 10 institutions to incorporate locally grown foods into their menus. The University coordinates ordering and delivery with local farms, and sets up purchasing relationships between the farmers and the institutions. Between 1998 and 2001, participating farmers received \$585,190 from participating institutional customers.

The **Kentucky Farm to School Program** was modeled after the North Carolina approach, which utilizes the Department of Defense (DoD) and its distribution system to bring Kentucky farm goods into local schools as part of the DoD Fresh program. This program is a collaborative effort between the USDA, the Kentucky Department of Agriculture, the University of Kentucky Extension, the Kentucky Department of Education, and the US Department of Defense.

“All Iowa Meals” a connection between **Iowa State University** and Practical Farmers of Iowa formed an alliance to serve local food to hotels, conference centers and restaurants, with a primary focus on serving agricultural and environmental organizations. Twenty seven growers supply different foods to make a complete meal including seasonal fruits, vegetables, poultry, beef, pork, fish and dairy products.

When a local dairy farmer became the main supplier of milk for the **Pennsylvania College of Technology's** dining halls, milk sales jumped by 25% in the first three months. An instructor in 'Penn Tech's' School of Hospitality was the inspiration for the farm to college project at the 5,000+ student campus, part of Pennsylvania State University. She began by replacing the milk in the dining halls with milk from a local, grass-based dairy farm. Without the school even advertising that this switch had occurred, students could taste the difference. The milk is now being served in the college daycare center as well. The dairy farmer, whose family has been farming for generations, emphasizes, "This relationship with a local college has kept us in business. It has allowed us to have extra cash flow to upgrade our equipment. We greatly appreciate the relationship we have with Penn Tech, given the increased sales and security it creates."

Although the goals of farm to cafeteria programs often vary from institution to institution and state to state, these programs typically often seek to:

- increase marketing opportunities for small and mid-scale farms;
- support local farmers and the local economy;
- educate eaters about local farming and food systems;
- improve the quality of food served in the cafeteria;
- improve nutrition and prevent obesity and obesity-related diseases; and
- improve institution-community relationships²⁰.

“Farm to Cafeteria Connections: Marketing Opportunities for Small Farms in Washington State” provides an excellent summary and up-to-date description of strategies for developing and incorporating farm to cafeteria programs. Dr. Neva Hassanein’s case study assessment of the University of Montana’s Farm to Cafeteria

²⁰“Farm to Cafeteria Connections” Marketing Opportunities for Small Farms in Washington State” Washington State Department of Agriculture (2004)

program and supply chain complements the findings of this report and provides detailed examples of the steps that one institutional buyer and Montana's food vendors have taken to work together successfully.

Some states also support farm to cafeteria programs. For example:

- In Washington, the State Department of Agriculture has promoted the purchase of foods from local growers/processors by providing technical assistance and outreach.
- In North Carolina, the State Department of Agriculture provides transportation, warehouses, and administrative services that support growers/processors selling to public institutions.
- Other states have attempted to enact legislation aimed at supporting local processors/growers. More details are provided in Exhibit 5.10.

Exhibit 5.10: Examples of Proposed or Enacted Legislation to Support Local Growers/Processors²¹

A **Minnesota** law "Agricultural Food Products Grown in State" states the commissioner (of administration) shall encourage and make a reasonable attempt to identify and purchase food products that are grown in this state. The commissioner is required to biannually submit a report "on the total of food products submit a report each biennium "on the total food products purchased or contracted for by agencies and the amounts of fruits, vegetables, grains, meats, poultry, and other food products purchased or contracted for that are grown in this state."

California legislators recently defeated a tie-breaking preference law that planned to stipulate that "all California public schools and school districts shall purchase agricultural products grown in California before those grown outside the state as long as the priced quoted by the California company does not exceed the lowest price of the out-of-state company."

In 2001 The **New York State** Agriculture Commissioner and the Office of General Services, increased discretionary purchasing levels for state institutions to allow them to purchase up to \$10,000 of fresh fruits, vegetables, and eggs from New York growers every fifteen days.

Section 4303 of the Farm Security and Rural Investment Act of 2002 added a revision to the **National School Lunch** act pertaining to the purchases of locally produced products. This provision requires the secretary to encourage institutions participating in the school lunch and breakfast programs to purchase locally produced foods, to the maximum extent practicable. It also created a program to provide start-up grants to 200 institutions to defray the initial costs of equipment, materials and storage facilities needed to be able to process fresh locally produced foods.

Grow Montana is a coalition promoting Montanans' access to Montana-grown and processed food. It initiated two bills in the 2005 state legislative session: one to allow for state inspection of mobile meat slaughterer plants and the addition of two more state meat inspectors (it passed), and the second, to give state institutions the option of giving a small bidding preference to Montana food vendors (it failed on a tie vote in Appropriations).

²¹ This exhibit draws heavily on "Putting a Face on our Food: How State and Local Food Policy can Promote the New Agriculture" Drake Journal of Agricultural Law (2003)

ii. International Developments

In other countries such as France, Italy and Spain, local or regional food has traditionally been consumed in homes as well as public institutions. In the United Kingdom, concerns with local food systems, public health, and child obesity, led the Department for Environmental, Food and Rural Affairs to launch the Public Sector Food Procurement Initiative (PSFPI) in 2003. The goals of this program were to encourage public sectors to spend more of their £1.8 billion (US \$3.2 billion) food budget on locally grown and processed foods. The aim is to help deliver “a world-class sustainable farming and food sector that contributes to a better environment and healthier and prosperous communities.” The priority objectives of the program are to:

- raise production and processing standards;
- increase tenders from small and local producers;
- increase consumption of healthy and nutritious food;
- reduce adverse environmental impacts of production and supply; and
- increase capacity of small and local suppliers to meet demand.

The European Treaty and EC procurement directives mean “*public sector buyers can restrict their purchases to specific locations. But the framework still offers plenty of scope to practice sustainable development when procuring food and catering services*”²².

More details of a recent study on institutional food procurement in the Yorkshire region of the United Kingdom are presented in Exhibit 5.11.

Exhibit 5.11: Farmers and Food Producers in the Yorkshire Region are Missing Out on a Lucrative Local Market Worth up to £220m (\$396 million) Per Year²³

“Food and Drink in Yorkshire: Regional Supply Chains Mapping Study”, commissioned by Yorkshire Forward and published by ADAS, shows that the public sector in the region spends over £200m on food, but that only a small amount of this business goes to local growers or wholesalers. The report shows that by encouraging tenders from local producers, schools, hospitals and other public sector bodies could reap real environmental rewards for farmers, other food producers and the tax payer.

As well as reducing food miles and distribution costs, opening up markets to local producers could help cut carbon dioxide emissions by up to 70% in the case of some regional Public Sector Procurers. Because 30% of freight on our roads is associated with food transportation, such savings will also help the food industry to meet the Government’s climate change targets”

5.5 Current and Potential Food Production, Processing and Distribution Capacity

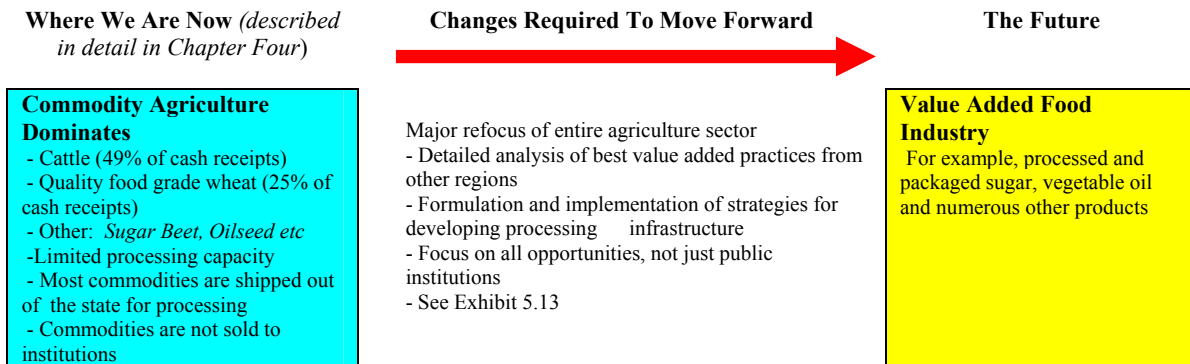
The ability of Montana’s farmers, ranchers and food processors to sell food to public institutions is limited by a reliance on commodity agriculture, and a distinct lack of a processing and distribution infrastructure. Further, some foods such as lentils and squash,

²² “*Unlocking Opportunities: Lifting the Lid on Public Sector Food Procurement*” Department for Environment, Food and Rural Affairs, UK (2005).

²³ Yorkshire Forward, December 15, 2005

though nutrient dense, are not considered to be “children friendly,” so education would need to accompany their incorporation into school menus.²⁴ The undeveloped nature of the value added businesses that are required to transform commodities into the food products demanded by institutional and other buyers was described in Chapter Four. Information presented in Exhibit 5.12 provides a summary assessment of where we are now and where we could be in the future.

Exhibit 5.12 Summary of Current and Potential Food Processing Capacity



However, despite these weaknesses, many Montana growers and processors are successfully marketing to public institutions. A summary of where the food industry could be in the future is provided on the right-hand side of Figure 5.13, while the changes that may be necessary to instigate these changes are summarized in the center under the red arrows. The information is categorized according to the five industry sectors that interviews with buyers suggested can potentially serve institutional markets (as described in Chapter Three). A summary of the exact types of food products that could be marketed to institutions was provided in Chapters Three and Four²⁵. Some, such as produce/fruit and vegetables would require a relatively small change in production levels to supply all institutions in the state.

The potential for enhancing the volume and value of Montana-produced food products sold to public institutions is dependent upon changes at both the public institution and supplier level. Most farmers may lack resources to invest in value added enterprises and many are not risk-takers or entrepreneurs²⁶. Many public institutions are constrained by

²⁴ “My other dream is to get the students to eat rutabagas”. Ms Bacelli – Food Service Director Owego and Whitney Point School Districts in Central New York. Source: *New York Times* (24th August 2005)

²⁵ Interviews with institutional food buyers indicated that the main focus should not be on organic products.

²⁶ There are exceptions such as Dean Folkvord at What Montana (who sells to institutions) and Bob Quinn who does not. In most other states and regions a combination of farmers, farmer cooperatives, entrepreneurs, and economic development organizations and policy makers have worked together to build a business infrastructure or provide a setting that encourages business development.

5.13: Supplying Public Institutions with Food Produced in Montana: Specific Product Opportunities and Requirements

Opportunities in Specific Product Categories	The Future
<p>Fruit and Vegetables In fresh ready-to-eat forms, and in preserved forms needing only reheating.</p>	<p>Convenient, Ready-to-Use Products Diced, sliced, pre-cut, washed products Packaged, standard size Further processed products e.g. hash brown patties, onion rings Individual quick frozen (IQF) vegetable meals</p>
<p>Meat USDA- or, at least, state-inspected special cuts, ground beef patties, pre-cooked meats.</p>	<p>Convenient, Ready-to-Use Products For example: - marinated, precooked strips - fajita meat - frozen cooked beef patties - cooked sausages - packaged, weighed and of a standard size Diversification into other livestock meats Feedlot expansion?</p>
<p>Bakery Montana success story in breads using milled MT wheats. Opportunities for MT bread wheat and flours to be used in MT and out-of-state baked goods suppliers to MT institutions and other markets.</p>	<p>Greater Utilization of Flour Grown in Montana by Bakeries Supplying MT</p>
<p>Dairy Small MT specialty cheese, yogurt, ice-cream and other dairy products hold promise in institutional and other wholesale and retail markets. (Large out-of-state owned companies dominate in fluid milk.)</p>	<p>A Small Increase in the Sales of Specialty Cheese and Dairy Products -Focus on catering events - Sales of Montana-produced fluid milk to institutions are at capacity</p>
<p>Other A large variety of “other” processed product businesses are having success in MT institutional and other wholesale and retail markets. For example: - vegetable oil - salsa - tortillas - salad dressing - confectionary - cereal</p>	<p>Enhanced Value Added Food Processing Industry - Establishment of new food processing businesses capable of supplying institutions and other outlets - Increased sales from existing value added food suppliers</p>

Changes Required To Move Forward

Commodity-growers with irrigated land develop production capacity for volumes of produce needed to be price-competitive in bulk wholesale markets. Detailed analysis of feasibility of increasing processing capacity. Private/public sector partnerships between existing businesses, institutions and service providers could initiate change. For example:
- As a result of this study, UM, Mission Mountain Enterprise Center and the Western Montana Growers Cooperative are investigating opportunities for working together to increase processing capacity

Detailed analysis of feasibility of establishing new or larger, more efficient slaughtering/processing plants, and of smaller, more local mobile plants. The analysis should examine:
- costs and potential returns
- supply
- rendering of waste materials
- regulatory issues
Encourage appropriate meat businesses to make sales calls to appropriate institutional buyers

Educate buyers/suppliers on the health and other benefits of using Montana grown/milled grains, and how to access this flour.
MT flour millers preserve identity of MT wheat flour.

Encourage networking and relationship-building between buyers and suppliers.

Encourage the development of an entrepreneurial business culture.
Develop venture and other business capital sources.
Food vendors need to be marketing focused/understand market requirements and have:
- capital
- an experienced management team
- good market research and accurate business/marketing plans
Utilize existing service providers (MT Agriculture Innovation Center, MCDC, etc), consultants, and network with successful businesses/mentors.
Analyze needed policy changes related to business/economic development, capital, food sanitation/safety, procurement, etc.
Develop relationships with current prime vendor and smaller local distributors.

cost, infrastructure, time and resource limitations. Existing relationships need to be built upon, and the buy-in of all the key players in the movement of food from the farm to the fork is essential (as described in Chapter Two). Because of a relatively undeveloped distribution infrastructure caused by a small population base and geographic factors, working with distributors like Sysco and FSA is important. Greater transparency in the origins of food through “country or state of origin” labeling requirements and increased focus on marketing and customer needs could yield significant benefits. For example, companies like Wheat Montana and Montola market the healthy attributes of their products.

There is a general distrust by some food service managers and service providers of any proposed changes to state procurement regulations. The greatest benefits will be derived from a market-driven move, and the appearance of new market-focused food industry entrepreneurs. Montana needs to support policies and a culture that will encourage the emergence of new Montana food processing and distribution companies, which like Wheat Montana; have the economies of scale and business capabilities to be successful in institutional and other markets. However, this is a long-term project that will also require changes in agricultural and business practices and policies, and as such will not be achieved over night²⁷. The recommended research and analysis into the potential costs and returns of enhancing the meat and value added sectors should focus on all markets, not just the public institutional sector²⁸.

There are a number of changes that are not described in Figure 5.13 because they are relevant to all food categories. The UM’s Farm to College program and less formal initiatives at MSU have opened many doors and encouraged growers/processors to look for new sales opportunities at other institutions and in food service and retail markets. They have heightened awareness in the state of the availability of local or regional foods and have encouraged other institutions and foodservice operators to actively seek healthful, quality products from Montana’s vendors. The impact of such programs should not be judged solely by sales to institutions or the resulting multiplier effects, but the role they play in increasing capabilities and business acumen, and enabling companies to sell to other much larger and potentially more attractive sectors such as retail and food service. It is recommended that efforts are made to enhance the outreach of these programs/initiatives and transfer them to additional public institutions. More details of these recommendations are provided in the following sections.

²⁷ “We talk about this as a 30 year project. We need to change an entire culture, and you know how long it has taken to change the social view on smoking. This is more difficult. We are taking small steps, getting apples, carrots, pears, even broccoli into schools.”
Ms. Adamick – School Food Plus (New York City School District) Source: New York Times (24th August 2005)

²⁸ Public institution food markets are a small part of Montana’s overall food system. Therefore, they should not be the only focus of state efforts to increase the local and regional food supply base. Greater opportunities may exist in other market segments, which are much larger and offer greater returns to growers and processors. Local growers and processors that supply fresh or healthy products can however play a role significant in improving the overall nutrition of future generations. For example, by allowing public schools to meet the goals of the SNP’s Wellness Initiative.

5.6 Recommendations for the Future

There are many different models of institutional food procurement. They vary significantly from institution to institution (for example K-12 school versus prisons) as well as within individual institutional sectors (for example, Billings School District is managed by Sodexo while Bozeman School District has a prime vendor contract with FSA and operates a commercial kitchen that supplies other institutions). The drive and commitment that individual purchasing managers, students/residents, suppliers and others have to the concept of enhancing Montana-based food supply chains varies. However, most realize that fresher, better tasting, environmentally friendly, Montana-produced food can improve nutrition. They also understand they can strengthen the region's economy by keeping dollars circulating in the local community. The results of this study have clearly illustrated that:

- There is a genuine interest among some public institutions in purchasing more food that has been produced in Montana.
- Public institutions are a relatively small and cost-conscious market, but an excellent stepping-stone for Montana suppliers seeking to enter other markets.
- Montana's food supply chain lacks capacity.
- Infrastructure development and capacity-building are necessary to add value to Montana's food supply chain and provide customers with the types of products they wish to buy.
- Successful examples of best practice are already established and operating within Montana.

The University of Montana and Montana State University have played an important role in illustrating that local suppliers can provide food to public institutions and in doing so, enhance Montana based-food supply chains. The local and regional impact of producing food (rather than, or in addition to, commodities) cannot be underestimated. It is important that new efforts are made to further develop Montana-based food supply chains and enable public institutions and Montana's suppliers to access new value added markets. To help facilitate the process it is recommended that the following activities are undertaken:

- Learn from other examples of best practice, but recognize the Montana differences.

UM Farm to College: Steps to Success
Transplanting the Concept

**Transplanting the Concept:
Four Steps to Creating
a Program in Your Community**

- Build Support and Buy-In
- Set Goals
- Build Relationships
- Educate and Celebrate Progress



The UM Farm to College Program The University of Montana

As indicated earlier, success stories and examples of best practice are extensively documented; however they need to be adapted to account for Montana's unique demographic and geographic profile. The University of Montana's Farm to College Program was developed as "a Montana model for institutional local and regional food purchasing." Mark LoParco, Director of Dining Services at UM, is willing to share details of this model with others. Lessons may also be learned from MSU's successes.

- Develop new "test programs" and show they work.
Missoula schools have started to implement farm to school programs, while public institutions in Bozeman, Dillon, Glendive, and Salish-Kootenai College plan to soon. These could be expanded to other regions in the future.
- Conduct Outreach & Education.
Many suppliers are not aware of the potential market opportunities that public institutions provide. In addition, food procurement personnel often do not realize the array of food products that are produced in Montana. Conferences and vendor seminars that offer training for food service staff and growers, so they understand opportunities and market requirements, are a necessary requirement.

The Grow Montana Coalition has begun a series of public meetings to present the results of this and other studies to facilitate Montana communities and leaders exploring opportunities and needs they see in the development of Montana's food production and distribution infrastructure. These meetings will occur across the state through the end of 2006.
- Engage all supply chain participants, from farmers to distributors to buyers.
Farmers and ranchers, processors, public institutions, distributors, food service management companies, and state and local public officials can all play a role in enhancing Montana-based food supply chains. In other states and countries large distributors and food service management companies such as Sysco and Sodexo have played a major role in supporting local initiatives. They would contribute greatly to enhancing the success of a Montana-based program.
- Encourage producers to group together to market/distribute.
Most institutions do not have the logistical capabilities to purchase from a large number of Montana-based growers/processors. Encouraging producers to form producer-owned cooperatives will solve this problem as well as well enable them

to share distribution costs. The Montana Cooperative Development Center, Mission Mountain Market and the Montana Agriculture Innovation Center can assist.

- Target institutions that are genuinely interested.
It takes a great deal of institutional commitment and leadership to successfully implement new programs that enhance Montana-based food supply chains. Focusing on institutions that have a genuine desire to support Montana-based food supply chains will provide a focus and increase the probability of success.
- Target industry sectors that offer most potential.
Meat and produce are the sectors that institutional buyers suggest appear to offer the most potential, although some parts of these sectors are relatively small. Further analysis of the economic and market feasibility of further developing these sectors needs to be conducted²⁹. The development of value adding initiatives in other sectors also needs to be carefully planned and accompanied by feasibility studies and marketing plans.
- Target producers/processors that have a genuine capacity to supply high quality food at competitive rates and deliver a high level of service.
Institutions are not an appropriate target market for all Montana growers and processors. Both buyers and suppliers need to be able to change and adapt everyday practices to develop sustainable business relationships.
- Initiate efforts to build Montana’s food processing infrastructure and value adding activities.
The Mission Mountain Food Enterprise Center in Ronan and a planned new incubator in Glendive are useful starting points. However, further research that assesses why Montana is performing so poorly in the value added sector and provides direction for the future is also necessary.
- Build partnerships and create “buy-in”.
A large number of Montana organizations and programs are working to improve consumers’ appreciation of locally produced foods and support Montana farmers and food processors. Creating a plan with specific and measurable goals will create a critical mass and stimulate the demand for food produced in Montana. Examples of Montana-based initiatives are presented in Exhibit 5.14.

Exhibit 5.14: Examples of Montana Based Initiatives

Eat Right Coalition

Eat Right Montana, a statewide coalition of public health professionals that promotes healthy eating and active lifestyles, has adopted the theme, “Eat Local, Play Local, Live Healthy” for its 2006 media campaign. The organization provides monthly media packages to individuals around the state and nationally.

²⁹ For example, one medium sized onion producer could probably produce enough onions to serve all of Montana’s institutions.

Montana Dietetic Association

The Montana Dietetic Association, which is the professional organization for dietitians and nutritionists in Montana, will be hosting a summit at its annual meeting in May focusing on sustainable agriculture and how this relates to healthy nutrition habits

Montana State University

A diverse group of professionals at Montana State University have organized in recent months in order to further the research and outreach activities related to supporting the local food system. This group is made up of nutrition faculty, representatives of the CDC Obesity prevention grant project Nutrition and Physical Activity (NAPA), MSU food service representatives, community members and representatives of the Chef's Collaborative.

University of Montana Farm to College Program Celebration

On May 4th 2006, the University of Montana will celebrate \$1 million in local/regional food purchases. The program will include an educational component (highlighting recent research and a panel discussion of benefits and challenges of local food), vendor fair, local food system displays and demonstrations and an evening celebration. The day will be an ideal opportunity for other public institutions and interested parties to see how the Farm to College Program has evolved into the successful model it is today.

Montana Culinary Excellence Award

In June 2004, the Montana Department of Agriculture hosted a chef competition for the Culinary Excellence Award. Chefs from around the state met in Big Sky, touting recipes featuring Montana products in order to increase offerings of Montana products in restaurants statewide. The event featured Montana Restaurant Connection, a showcase of Montana products for restaurant managers, chefs, brokers and distributors. Products showcased included sauces, beer, mustards, soup mixes, beef, cereal, sausages, honey, caviar, smoked fish, goat cheese, bison chili, granola, mushrooms, ketchup, huckleberries, wine, pasties, canola oil, herbs and jams.

"The Montana Chef Competition encourages our state's chefs to incorporate more locally produced foods into their menus, giving customers what they want. This, in turn, helps Montana's agricultural industry and overall economy." (Ralph, Peck, ex-Director Montana Department of Agriculture). A renewal of the competition is planned for this year.

Chefs Collaborative

Eric Stenberg is a member of Chefs Collaborative who is working on developing and maintaining farmer-chef connections, thereby keeping food dollars in the local economy. Through grant funding obtained from the Kellogg foundation Chefs Collaborative is looking to extend farm to cafeteria programs to schools and universities in the Bozeman area. The Chefs Collaborative is a national network of more than 1,000 members of the food community who promote sustainable cuisine by celebrating the joys of local, seasonal, and artisan cooking.

Alternative Energy Resources Organization (AERO)

This grassroots, nonprofit organization sponsors a statewide Buy Fresh, Buy Local campaign that assists Montana food producers, retailers and communities with local food product and market development. It also publishes the "Abundant Montana" directory to sustainably grown and processed Montana food. In 1996 AERO organized the state's first Montana food systems initiative that provided small grants and facilitated a process for communities across the state to learn about and support community-based food supply chains.

Grow Montana

This broad based coalition works to enable Montana's food producers to meet more of the state's food needs. It promotes economic development policies that support sustainable, Montana-owned food production, processing, and distribution, and that improves all of Montana's citizens' access to Montana foods.

In summary, enhancing Montana-based food supply chains through the development of farm to cafeteria programs can play a role in stimulating the development of Montana's agricultural and community-based business sectors. As such it can help farmers and processors to reduce their reliance on commodity markets alone. It will enable public and other institutions to provide their constituents with healthy, fresh food products, while generating more money in the state's economy.

Although public institutions purchase a very small percentage (less than 2%) of the food consumed in Montana, some are already playing a key role in initiating farm to cafeteria programs. Working with distributors such as FSA and Sysco is vital to success, as these organizations can distribute throughout the state and understand the volume and quality specifications that institutional and other buyers require. Selling to the public institutional market is an extremely useful stepping-stone for food producers seeking to enter the much larger food service and retail sectors; however is not a viable option for every Montana food producer. Producers of niche value added food products may find more opportunities in other less price-conscious markets where they may be able to command a premium price. Others may be able to utilize institutional markets to help drive volumes to levels where economies of scale can be achieved to allow access to additional wholesale or retail markets. They may also be able to use institutional markets as a secondary market for hard-to-market products like low-value beef cuts, which can be turned into hamburger. Initiatives aimed at developing public-private sector partnerships or policies aimed at increasing institutional purchases of food grown and processed in Montana can play a role in enhancing Montana-based food supply chains and the development of increased value added capacity. However, they should not be developed at the expense of initiatives aimed at assisting growers and processors to access much larger and potentially more lucrative retail and food service markets.