

A *feed* **BC** Report



FEED BC Contract and Procurement Scoping Report

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Executive Summary

Introduction

Feed BC has retained *fs*STRATEGY Inc. ("*fs*STRATEGY") to understand how to increase the use of B.C. food in B.C. Public Post-Secondary Institutions ("PSIs").

In order to complete the analysis, *fs*STRATEGY conducted a scan of existing approaches, goals, needs and interest by PSIs, both with self-operated and contracted foodservices, to source and track B.C. food. Interviews were conducted with 12 B.C. PSIs and three contract caterers providing foodservices at PSIs in B.C.

Goals, Tracking and Interest in Increasing or Maximizing Use of Local Food

All PSIs expressed an interest in increasing or maximizing the use of local food and considered doing so an important element of their foodservice sustainability goals. Most PSIs; however, did not have a defined goal or target for the use of local food. Those with goals in this regard ranged from 20% to 50% of total food spend on local food. Similarly, definitions of local food were inconsistent amongst PSIs. Many PSIs are growing food on campus for use in foodservice operations.

Information for tracking local food is available from distributors. Contracted foodservice operators are able to provide such information for PSIs that have outsourced their foodservice operations.

The interest for local and B.C. sourced food aligns with several PSIs' values, which is supported by students at PSIs through surveys and other feedback.

Barriers to Overcome in Increasing the Use of Local Food

Several barriers were identified by the PSIs with respect to increasing B.C. food. These included:

- price point, which may be more volatile based on local conditions and are often greater as local production can lack economies of scale;
- seasonality;
- product availability or awareness of product availability;
- food safety and certification of producers and processors;
- consolidation of secondary processing facilities in B.C.;
- changing regulations, such as the banning of single-use plastics, affecting product case configurations;
- rigid distribution systems;
- sourcing of local products can be labour intensive (as opposed to using a broadline distributor);
- contract foodservice providers may be less willing to pursue local products;
- existing contracts (e.g., bottled beverage contracts) may limit the ability to procure local products; and
- production capacity of local products.

A number of these barriers can be overcome with support services.

Increasing Local Food Use with Existing Foodservice Contracts

Several PSIs use broadline distributors with smaller or specialty distributors for specific product categories. PSIs with self-operated foodservices have the greatest autonomy when selecting distributors; however, contractors have greater supply chain and labour resources to identify potential local sourcing opportunities if partnerships and shared goals can be or have been established with the PSIs.

Existing contract language used by interviewed PSIs for their relationships with their contract caterers is often insufficient to enforce increasing or maximizing local and B.C. food procurement. Request for Proposal (“RFP”) and foodservice contracts should include quantitative key performance indicators (“KPIs”), which are specific, measurable and monitored over the course of a contract.

The willingness of contractors to share a PSIs’ goals for local and B.C. sourced food products will often relate to the nature of the contract agreement. Under a management fee agreement, the contractor is paid a fee to manage foodservices and all operating costs are charged to the PSI. Management fee agreements offer the greatest level of control to a PSI in a contracted agreement but typically result in additional costs or financial risks. Under profit and loss agreements, the contractor controls the PSIs’ foodservices and assumes the financial risks. PSIs have less influence over operations (menus, foods purchased, hours, menus, price point, etc.) as the contractor must maintain a business case to operate foodservices and provide a commission to the PSI. PSIs may be able to negotiate KPIs and increasing or maximizing B.C. sourced food under such agreements but concession may be required in commissions or other areas of the contract to maintain the business case for the foodservice operator.

Coaching and Support Services

The recommendations and support services identified are joint findings from the Market Opportunity PSI study and the Contract and Procurement Scoping study conducted concurrently.

The report identifies several coaching and one-on-one support services that may assist in removing barriers to PSIs in increasing or maximizing the procurement of B.C. food. Potential support services include:

- standard definitions and measurement of local food;
- value chain facilitation (identifying and developing new local food products desired by PSIs and not currently available);
- creating or assisting PSIs with self-operated foodservices in the organization of a joint procurement co-operative or buying group for smaller PSIs to increase purchase volumes of local food products;
- assisting producers within an area or region to form farmers market associations or group cooperatives;
- increasing the awareness of B.C. producers and processors by region and product category to assist PSIs in identifying potential sources of local products;

- providing funding programs or attractive loan options for smaller and medium sized regional producers and processors to develop the required infrastructure to meet PSI procurement needs;
- sharing successful menus and recipes that feature or incorporate local products in an effective way;
- providing marketing collateral and assistance to promote local food and communicate local food initiatives to the PSI communities; and
- developing marketing materials to promote local food and communicate local food initiatives to the PSI community.

1 Introduction

1.1 Objectives

Feed BC is seeking to understand how to increase the use of B.C. food in B.C. Public Post-Secondary Institutions (“PSIs”). The objectives for this engagement are as follows:

- conduct a scan of the existing approaches, goals, needs and interest by PSIs, with both self-operated and outsourced foodservices, to source and track B.C. food;
- prepare a “how to” resource to assist PSIs in this regard;
- develop recommendations on coaching or other one-on-one services that could be provided to aid in increasing procurement of B.C. food; and
- prepare of a generic “how to” guide based on the PSI model, but for use across other institutional facilities with foodservices, contracted and self-operated, to increase the use of B.C. food.

Feed BC has retained *fs*STRATEGY Inc. (“*fs*STRATEGY”) to conduct this analysis and prepare the deliverables.

1.2 Scope of Work

To achieve the objectives for the engagement *fs*STRATEGY:

- conducted interviews with B.C. PSIs collecting relevant data regarding sourcing, tracking and emphasizing B.C. food procurement;
- following interviews *fs*STRATEGY prepared the “How To” Guides (guides are prepared as separate documents to this report); and
- based on interview results and our experience working with PSIs and other broader public sector institutions across Canada, *fs*STRATEGY developed recommendations on coaching or other one-on-one services that could be provided to assist in increasing procurement of B.C. food.

2 Summary of Interviews

2.1 Scan of Existing Practices

fsSTRATEGY conducted interviews with the following institutions:

- Camosun College;
- Capilano University;
- College of New Caledonia;
- Douglas College;
- Kwantlen Polytechnic University;
- Royal Roads University;
- Simon Fraser University;
- Thompson Rivers University;
- University of Northern British Columbia;
- University of the Fraser Valley;
- University of British Columbia – Okanagan;
- University of British Columbia – Vancouver; and
- Vancouver Community College.

Interviews were also conducted with contract caterers including Compass, Sodexo and Dana Hospitality. Key findings from the interviews are summarized in this section.

2.1.1 Goals, Tracking and Interest in Local Food

All PSIs interviewed were interested in increasing local and B.C. sourced food products. PSI foodservice operations consider the use of local food as an important element of their foodservice sustainability goals. Despite prevalent interest in increasing the use of and tracking B.C. sourced food products, most PSIs either do not have a defined goal or target they are actively trying to achieve. The definition of what is considered local food varied significantly amongst the PSIs and contractors interviewed, ranging from anywhere in Canada to within a set kilometre radius of the campus.

Definition of Local

The two common definition metrics used by B.C. PSIs are distance of the product source from the PSI and the classification of local based on product origin (e.g., within B.C. or a set radius, such as 100 km around the institution) or value-added services being applied in B.C. For example, some operators and PSIs consider coffee roasted in B.C. a local B.C. product, while others do not. Some PSIs have experienced challenges over how food is classified as local with respect to their internal definitions for setting goals; aligning definitions of local food with distributors, suppliers and contract caterers; and when benchmarking the use of local products in their operations to other PSIs. Defining what local means from a produced in B.C. versus processed in B.C. perspective is required. Questions were raised during interviews, such as, if one item is grown outside B.C. and processed in B.C. should it be regarded as local in the same way as the same item being grown and processed in B.C.?

Tracking and Supply

Source of origin tracking information is available from suppliers. Contracted foodservice operators and suppliers are increasing their efforts to source local food products where possible.

On Campus Production

Some PSIs are growing food for the foodservice operations in campus gardens and greenhouses as part of their local food initiatives. While such initiatives typically have limited outputs; the participation, visibility and awareness they provide to the PSI community (students, staff and faculty) have a positive effect on local food awareness and the PSIs' initiative. For example, the Growcer (Growing Systems) is a smart shipping container that grows food, has fully automated and remote-control functions such as irrigation and notifies users when to harvest. Training is provided for the fully automated controls.

Local Food Goals

Most PSIs do not have quantitative goals for the use of local or B.C. produced food products. Those PSIs with specific goals for B.C. food ranged between 20% to greater than 50% of total food spend. PSIs with contracted foodservice operations often do not have B.C. sourced food targets as part of their contracts, apart from general terms to include "as much B.C. food products as possible". This is surprising to fsSTRATEGY as environmental and sustainability initiatives are becoming an increasingly important focus when conducting RFP processes for foodservice contractors and we suspect most PSIs will include foodservice sustainability as a key evaluation criterion when selecting the next foodservice provider. A significant opportunity exists for PSIs nearing the end of contracts¹ and/or conducting the RFP process.

Post-Secondary Institution and Consumer Interest in Local

The interest for local and B.C. sourced food aligns with several PSIs' values, which is supported by students at PSIs through surveys and other feedback. Students indicate they desire local food and local food is perceived as healthier than food sourced from farther away. However, the greater cost associated with local food is often a deterrent to cost sensitive students. Some students are willing to pay more depending on the benefit or comparative quality the local product may offer. Generally speaking, students are more price driven when selecting comparable food items and the premium they are willing to pay for local food is limited.

2.1.2 Barriers to Overcome in Increasing the Use of Local Food

Several barriers were identified by the PSIs with respect to increasing B.C. sourced food products, including the following:

¹ The opportunity to increase or maximize local food procurement exists when beginning a new contract as well as, to a lesser extent, when renewing a contract. When the foodservice contractor provides capital, contracts are often ten years (five years with an option for renewal after five years).

- **Price Point** – prices may be more volatile based on local conditions and are often greater as local production typically lacks economies of scale of larger producers and volume discounts available from national and international suppliers.
- **Seasonality** – limited growing season that often occurs outside the typical academic year.
- **Changing Demographics** – an increasing number of international students and overall changes to student demographics result in changing demand for different types of food items required to be sourced for PSIs.
- **Availability or Awareness** – depending on their location within B.C., not all PSIs have local products easily available to them due to distance from distribution centres or are unaware of local products available other than those items listed and identified as local by suppliers.
- **Food Safety and Certification** – most distributors require products to be processed in a certified facility, such as the federally recognized Hazard Analysis Critical Control Point (“HACCP”) while certified facilities are not in all B.C. growing regions.
- **Changing Regulations** – the banning of single use plastics (a federal initiative) affects case configurations and product specifications (as larger distributors can be slow to adapt to the changes), which can affect the availability of local food as well as increased packaging costs. The banning of single use plastics, may come into effect as early as 2021. Some case sizes may be unavailable for periods of transition and/or packaging materials may be required to change.
- **Rigid Distribution Systems** – many distribution systems in place (i.e., limits on what products can be purchased at the PSI level as determined by contract caterers and group purchasing organizations (“GPOs”)) do not allow ease of purchase of many local products.
- **Sourcing** – sourcing local products can be labour intensive, especially with changing and seasonal menus and not all producers are looking to grow their businesses into other segments.
- **Contractors** – some contract foodservice operators are less willing to pursue alternative sourcing of food products or easily modify corporately set menus, especially if they are responsible for the additional costs (under a profit and loss agreement) and contractors must approve new suppliers.
- **Contracts** – existing supplier contracts, such as beverage contracts, may limit product supply and variety able to be provided in the short term.
- **Production capacity** – local products are not always able to meet volume or specification requirements.

A number of these barriers can be overcome with support services.

2.1.3 Existing Foodservice Contracts

Foodservice operators and distributors for the PSIs interviewed are summarized below.

Several PSIs use broadline distributors with smaller or specialty distributors for specific product categories. PSIs with self-operated foodservices have the greatest autonomy when selecting distributors; however, contractors have greater supply chain and labour resources to identify potential local sourcing opportunities if partnerships and shared goals can be or have been established with the PSIs.

Caterer Contract Terms Regarding Local Food

Existing contract language used by interviewed PSIs for their relationships with their contract caterers is often insufficient to enforce increasing or maximizing local and B.C. food procurement. RFPs and foodservice contracts should include quantitative key performance indicators (“KPIs”), which are specific, measurable and monitored over the course of a contract. For example, a KPI may wish to include “by 20XX, X% of total food purchases are required to be sourced from B.C. producers and producers.” Often, goals for percentage of local products purchased escalate over the term of the contract. Best practices in contract design include a specific definition of “local” for the KPI to be clear to both parties. Contracts may be agreed between both parties to include progressive targets, for example “over the course of the first five (5) years of the contract term, the percentage of purchases required to be sourced from B.C. producers should increase by x% a year of total food purchases.” The contract should include regular annual or bi-annual reviews of KPIs and progress.

Style of Caterer Contracts

The willingness of contractors to share a PSIs’ goals for local and B.C. sourced food products will often relate to the nature of the contract agreement. Typically, contracts will be either management fee agreements or profit and loss agreements. Under a management fee agreement, the contractor is paid a fee to manage foodservices and all operating costs are charged to the PSI. Management fee agreements offer the greatest level of control to a PSI in a contracted agreement but typically result in additional costs or financial risks. Under profit and loss agreements, the contractor controls the PSIs’ foodservices and assumes the financial risks. PSIs have less influence over operations (menus, foods purchased, hours, menus, price point, etc.) as the contractor must maintain a business case to operate foodservices and provide a commission to the PSI. PSIs may be able to negotiate KPIs and increasing or maximizing B.C. sourced food under such agreements but concession may be required in commissions or other areas of the contract to maintain the business case for the foodservice operator.

3 Recommendations on Coaching and Support Services

The recommendations and support services identified are joint findings from the Market Opportunity PSI study and the Contract and Procurement Scoping study conducted concurrently.

Several coaching and one-on-one support services have been identified to assist in removing barriers to PSIs increasing or maximizing the procurement of B.C. food. During the interview process, *fs*STRATEGY solicited feedback from PSIs on the types of support services they need specifically and what services they believed would be beneficial to PSIs looking to increase local food procurement. After the initial response, *fs*STRATEGY provided examples of other potential support services for comment. Applicable support services identified and validated from interviews conducted and *fs*STRATEGY's experience include:

- **Standard Definitions and Measurement of Local.** Identifying a clear definition and rating system for the use of local or B.C. food would allow results to be compared between facilities using the same metrics. Additionally, a clear definition and rating system allows for effective communication with contractors and distributors. PSIs who are beginning to track and set goals for local food procurement would benefit from a working definition or starting point to create their own definition. Uncertainty exists among PSIs interviewed as to whether local should be strictly defined as within B.C. when closer sources or distribution centres may be available, for example in Alberta or Washington State.
- **Value Chain Facilitation.** Assisting in networking and value chain coordination between operators and suppliers. A Value Chain Coordinator acts as an intermediary to problem solve and find mutually beneficial solutions to operational, financial, logistical and regulation challenges faced by all members in the supply chain (producer, processor, distributor, operator and end consumers). A Value Chain Coordinator could be a constant resource to coordinate changing demands of PSIs with producers and processors developing within B.C.
- **Post-Secondary Institution Buying Group or a Local Food Membership Created Brand.** Creating or assisting PSIs in the organization of a joint procurement co-operative or buying group for smaller PSIs to increase purchase volumes of local food products. During interviews, four PSIs expressed interest in support to coordinate demand among smaller and medium sized institutions to generate significant enough volume for new local products to be listed with a distributor as well as realize cost efficiencies. Some member driven organizations have been established in Ontario (e.g., Taste Real Guelph Wellington Local Food brand) by farmers, retailers and wholesalers to support each other's products and establish a local brand. These types of organizations have, in the past, relied on volunteers to sustain operations, which increases the risk of operations ceasing due the fluctuation in volunteer availability and interest. Dedicated staff and/or government is recommended to sustainably operate these types of organizations. The Canadian College and University Food Service Association ("CCUFSA"), which has several B.C. institutions as members, negotiates pricing on behalf of members but, to date, local products have not been included. Some CCUFSA members in Southern Ontario work together to purchase local food and have a plant with individual quick frozen ("IQF") capacity located at the University of Guelph enabling them to provide local produce year-round.

- **Producer Co-operatives.** Assisting producers within area or region to form farmers market associations or group cooperatives. PSIs interviewed expressed a desire for local farmers to aggregate supply and delivery to PSIs and/or through a distributor. This would allow a PSI to order a consistent volume and quality of product from multiple local sources with a single delivery rather than placing several orders and receiving differing grades and quantities of product each week and processing multiple invoices.
- **Increased Awareness.** Increasing awareness of B.C. producers and processors by region and product category to assist PSIs in identifying potential sources for products (possibly including product specifications). Many PSIs interviewed relied on order guides from a broadline distributor to determine and indicate what local products may be available. Resources such as producer and processor lists by region with product ranges would be helpful to PSIs seeking to expand or maximize local procurement.
- **Infrastructure Development Support.** Provide grant funding or attractive loan options for smaller and medium sized regional producers and processors to develop the required infrastructure to meet PSI procurement needs. Local producers can form cooperatives to pool resources and products to sell to PSIs and possibly build processing facilities to further develop raw ingredients into value added products.
- **Information Sharing.** Sharing successful menus and recipes that feature or incorporate local products in an effective way. Many PSIs would benefit from the sharing of ideas for menu items that have been successfully trialed and implemented at PSIs' foodservice operations incorporating local products in an effective and fiscally responsible manner. Other information sharing topics include best practices, examples of past RFPs, KPIs, etc.
- **Marketing Collateral.** Marketing materials to promote local food and communicate local food initiatives to the PSI community. Assistance with marketing and outreach initiatives, images and maps, slogans, or branded materials can assist PSIs looking to tell the story of local food procurement and supply chain traceability on their campuses. Communication of local food initiatives on campus is important. Stories on the use of local products, initiatives, values, goals, progress, etc. should be shared.



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