Geographic Preferences: Increasing Flexibility, Not Cost

The Cost of Local Products

Locally produced food is often competitively priced with food bought through the national wholesale system. Depending on location and seasonal considerations, local and regional farmers may be selling their produce at prices that are the same as, slightly lower or slightly higher than those of wholesalers who purchase food in the national marketplace. The use of a geographic preference does not increase the cost of the meal – it does allow for the specification of locally grown products.

Taxpayers will not pay more for school meals that include local product

The federal reimbursement rates for free, reduced and full price meals are fixed. Federal dollars will not be used to pay for fresh, locally produced fruits and vegetables. Food service may use state reimbursement dollars or grant monies to purchase these products, but additional funds are not necessary to purchase local foods.

Food Prices Do Not Increase Overall Food Service Budgets

In general, food service spends 40% of its budget on food, 40% of its budget on labor, and 20% on equipment. Adjustments are made as necessary. If labor costs increase, food and equipment costs must decrease in order to cover all expenses.

Since food service directors deal with sophisticated, tight budgets, they will not pay more for local product if it's not within their budget. There are many legitimate situations where food service directors may pay slightly more for local product, especially if locally grown items are eaten more frequently by students– this is true for chicken nuggets as well as fruits and vegetables. Even when locally produced food is slightly higher, food service directors may prefer to spend a few extra pennies because it is fresher, higher quality, and more likely to be eaten by students. If there is less plate waste overall, there is an incentive to pay a bit more for a better tasting product. In addition, due to the reduced shipping costs of local food and fewer intermediaries to mark up prices, schools may actually pay less overall for local food.

Need for Clarification

The 2002 Farm Bill included language that encourages schools to purchase food from local producers. However, in a letter to school food service directors dated January 23, 2007, USDA states that "a document produced by the Harrison Institute for Public Law at Georgetown University addressing the purchase of products from local farmers…expresses the view that Congress, as part of the 2002 Farm Bill, expressed clear support for geographic preferences in purchases made for school food service programs. That interpretation is incorrect and FNS disagrees with it as a result." USDA's misinterpretation of the 2002 Farm Bill language has created widespread confusion. Clarity is needed on this issue, which necessitates a strong, clear statement from Congress that schools are allowed to use a geographic preference in their bid. The use of a geographic preference *clearly* informs food service directors that they can buy local products. Additionally, flexibility to use a geographic preferences allows schools to identify local farmers with whom they and their contractors might work, which is more difficult to do within the current distribution system.

For more information or further questions, please contact Marion Kalb at 505.474.5782 or marion@foodsecurity.org.

Buying Local Products Benefits Children and Farmers

When food service directors make a decision to purchase product grown in the area, not only do they buy fresh, nutritious produce – they also help to support farmers and the region's agriculture. Buying local creates a win-win-win situation for children, farmers and the community. Due to the agricultural multiplier effect, when one dollar is invested in agriculture, another three dollars of economic development is created in the region.

When large buyers such as schools specify that they want a product with certain attributes, such as locally produced food, wholesalers and other buyers become more aggressive in seeking out that food. Local growers respond to market pressures and increase production because they know there's a growing demand for their products. For example, the Sysco Corporation's locally grown program is a direct response to its customers— mostly restaurants and institutions— stating that they want locally and sustainably produced food. This has forced America's largest food distributor to find local farmers, even work with them to increase their supply, and provide the product their customers demand.

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