

# CASE STUDY

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## BREAKING DOWN LOCAL FOOD BARRIERS: FOOD FORWARD CONTRACTS IN THUNDER BAY



Possibility grows here.

The Greenbelt Fund

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As far back as 2008, the City of Thunder Bay has been working to strengthen and connect their local food system to their municipally-run facilities. The City has emerged as a leader in food systems planning in the province, having adopted the Thunder Bay Food Charter, the Community Environmental Action Plan, a Community Garden Policy and supported the Thunder Bay and Area Food Strategy.

The City established local food procurement as one of the seven pillars of action in their Food Strategy, with the intent of shifting food purchasing towards a food service model that prioritizes local food. The Strategy identifies the opportunity to leverage food procurement spending as a tool for community economic development, creating new jobs by supporting new and existing farms and the expansion of commercial food processing businesses. The additional goal of increasing customer satisfaction at the seven municipally-administered facilities makes for a very ambitious road ahead.

“The Food Strategy is a great mother statement,” according to Dan Munshaw, Manager of Supply Management at the City of Thunder Bay, “but the reality of putting that into practice fell under my job description as the overseer of the supply operation. And at that time, I didn’t really know anything about food.”

## OBJECTIVES OF THE THUNDER BAY AND AREA FOOD STRATEGY

With the support of 13 local agricultural associations, economic development organizations and other relevant stakeholder groups, the Thunder Bay and Area Food and Market Strategy was developed with the following objectives:

- Determine the demand of the agri-food sector and consumers of local food;
- Characterize how agri-food sectors are currently using local food (i.e. types of food, quantity, price points, purchasing habits and preferences);
- Determine challenges in obtaining local food; and
- Identify opportunities for expanding local food production and processing

## FACT OR FICTION

In 2014, the City’s Supply Management Division was overseeing the purchasing for four child care centres and three long-term care homes. When Dan first approached his team in long-term care about procuring more local food he was told it couldn’t be done because of the Long-Term Care Act. Dan took the Act home, read it from end to end, came back to his team and said, “Show me where the Act precludes the procurement of local food.” Nothing could be found that would impede buying local food.

The next barrier he encountered was that food had to be federally inspected in order for municipal facilities to purchase it. Again, Dan researched the Ministry of Health guidelines to discover that this was not the case. Broadline distributors may require federally-inspected products because of their own national/multinational scope, but municipally-run facilities can absolutely purchase provincially inspected products.

Dan was presented with more barriers around HACCP (Hazard Analysis and Critical Control Points) certification and lack of understanding around Group Purchasing contract rules, so he dove into national and international trade agreements, procurement case law and much more. Each time, he demystified the fiction to uncover the fact.

“People try to scale up purchasing so it becomes complex and then it gives them the excuse to not do anything. I just do what I was hired to do and am holding myself accountable,” says Munshaw.



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Once Dan was clear on food procurement practices versus food procurement policy, he began to take action. Northwestern Ontario is unique compared to the rest of the province. The growing season is shorter and agriculture is practiced on a smaller scale, resulting in a supply of local produce that is in large part sold before it hits the supply chain.

“The status quo is to produce one or two purchase orders for the whole facility, and receive acceptable food at an acceptable price.” This current

state also, according to Dan, “encourages a lethargic mindset about food procurement.”

“If there is no education or alternative models of other ways of doing food procurement people don’t step outside of their comfort zone to improve the process. This benefits the broadline distributors and GPO’s bottom line as food sales are directed towards their preferred vendors. This relinquishment of control over food systems creates fear and misinformation around food contracts and what can or can’t be done.”

“The volumes from local producers at this time was near zero, except for dairy and some bread,” says Munshaw. Institutional purchasers were unsure that local producers could meet the demand, at the specifications they needed and the price they could afford. In many cases, purchasers were not fully aware of the range of different vendors that sourced local products, or of the availability of products.

On the flip side, local farmers didn’t know how to approach the institutional market, and there was very little interaction between institutional purchasing and local producers.

The lack of communication and coordination between institutional purchasers and farmers was addressed using the City’s grant from the Greenbelt Fund in 2013.

## FOOD FORWARD CONTRACTS

Among the many possible approaches the City’s research found for procuring locally grown food is that of a Food Forward Contract (also known as Forward Contract) with local farmers. This purchasing strategy had not been attempted in the area before. In fact, Thunder Bay is the first municipality we know of in Ontario who has used this procurement tool to increase local food purchasing.

A forward contract is a buying arrangement that provides a purchaser with a guarantee that a specified product will be available and at a certain price, while giving the producer a legal commitment that the product will be purchased at the set price. Forward contracts are common in commodity production and large scale horticultural production, however are less established with smaller producers serving the local marketplace.

Dan began to visit local farms to better understand the experience local producers had with selling to institutional buyers and their associated large distributors. He heard from farmers that they had been previously “burned” by distributors that had verbal agreements of, “if you grow X lbs. of carrots, I’ll buy them.” But distributors weren’t there to buy them when the time came or would try to negotiate the price down and threaten to walk away.



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can leverage the terms of the contract to acquire financial assistance from a lender to fund production expansion and improvements that will further enable them to meet market demand—which is relevant in a place like Thunder Bay where the current available supply exceeds the demand.

It's also a way to provide institutions with a more reliable supply of locally grown products, and allows for tracking of local food purchases by geography, supplier, etc.

Dan said he would enter into direct forward contracts for products, and it was an epiphany moment for both parties. “The contract is a legal commitment and they can take me to court if I don’t fulfill my obligations,” says Munshaw. “And, the farmer can take the contract to the bank and finance off of it. So we were like cool - let’s do it!”

Food forward contracts can help to build the capacity of local farmers to supply institutional demand through longer-term obligations for financial commitment. With a forward contract in hand, a smaller producer

## THUNDER BAY’S FOOD FORWARD CONTRACTS

The first food forward contract that Dan Munshaw created for the City of Thunder Bay’s local produce was with Kevin Belluz, owner of Belluz Farms. The City contracted to purchase carrots, beets, parsnips and rutabaga.

Kevin and Dan met at the City’s roundtables and meetings of the “Strengthening Connections” project. Kevin had been very actively involved in the local food movement in Thunder Bay for many years. His understanding of farmer concerns, and the local food community in the area, his farm size and the diversity of products he was growing made him a perfect partner in this new approach to how the City buys local food.



Belluz Farms and City of Thunder Bay - Food Partnerships.  
Photo Credit: Belluz Farms

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Kevin says the concept of the model is good. “What is interesting about forward contracts is that it encourages communication and partnership. That’s not something that you normally feel as a farmer. We are price takers, not price setters. In wholesale, they are taking what they can get from you and we don’t always feel like a valuable part of the exchange. The City shared information with all of us around the quantities they were purchasing and the price they were paying. This transparency of information and partnership approach is the biggest potential to these kinds of contracts.”

Kevin was intrigued by forward contracts with the municipality in order to hedge financing at the banks and increase his farm’s capacity. Belluz is already an established medium-sized farm, and in the end the quantities of produce being purchased by the City was not enough to realize this outcome. Belluz Farms no longer has forward contracts with the City for purchasing product. In the end the two organizations had different requirements. “Each business has different needs. For us the volume size wasn’t useful, but it could be in other areas (of purchasing).” But it is - the Belluz Farms-City of Thunder Bay relationship has paved the way for other farm businesses.

The City now has a multitude of forward contracts, each with different terms. The municipal long-term care GPO does not have contract conditions in place around fresh produce, so there is a lot of latitude to bring local produce into the facilities. Dan has forward contracts in place with DeBruin's Greenhouse for lettuce, tomatoes and fresh herbs. His contracts with DeBruin's are based on price and timing and he receives the veggies and herbs during the growing season from April to October. Long-term care homes normally run on a 4-week or 21-day menu rotation, so this predictability in the fresh produce supply chain allows long-term care chefs to bring seasonality into their menus.

### CURRENT FORWARD CONTRACT PARTNERS WITH THE CITY OF THUNDER BAY:

- DeBruin's Greenhouse - Tomatoes, lettuces, herbs, cucumbers
- Canadian Fresh Water Fish Company - Lake Trout
- My Pride Farms - Veal products
- Brule Farms - Flour related products (in the works)

"Farmers can say when their first crop will be off the fields and it gives time for the homes to start adjusting their menus," says Dan. He draws product based on when the farmers are harvesting, and then shifts back to broad-line distributors in the winter months. "I can predict the need for carrots for 2019 very accurately. I will hedge 60% of demand for carrots by contract with the farmer, leaving 40% of demand left open. This way we can adjust up or down and do menu changes."

Dan points out that the cooks at his long term care facilities are used to adapting, and he sees the introduction of more local foods as an opportunity for creativity in the culinary arts. He encourages the Thunder Bay facilities to give 2 hours per week per cook for "playtime - here's some local food, let's see what we can do with it. Cooks love to be creative!"

Direct contracts with farmers and producers also provide Dan with the opportunity to address different elements that are priority concerns for the City.

The forward contracts are a way of "recognizing other attributes rather than just price." Dan builds in specific terms to his contracts like packaging size, returnable containers, reducing waste initiatives and support avenues for Indigenous producers.



Indigenous Fish Harvesters for the Canadian Freshwater Fish Company.  
Photo Credit: Canadian Freshwater Fish Company

In the agreement with the Canadian Freshwater Fish company, the City will adhere to the contract until 200 kg of local lake trout are purchased, after which point the contract is renewed and revisited. The contract contains terms that the fish the City purchases has to be bought from Indigenous harvesters. "By doing this, we are creating an Indigenous supply chain (to institutions), an important community that we want to support in the North."

Dan is also working with My Pride Veal Farmers. Mike Visser is the owner and operator of the My Pride farms, and met Dan at one of the "Strengthening Connections" project workshops. Mike was introduced to the head of nutrition at Pioneer Ridge, one of the long-term care homes under Dan's purview. Veal is a popular protein for long-term care residents, but one that can be expensive. By opening opportunities between farmer and purchaser, the parties were able to find veal cuts and products that are now being served in long-term care meals. The

City has forward contracts with Mike for ground veal, stewing veal and off-cuts that are used in their specially-made sausages.

Mike agrees that the innovation that Dan is bringing to food contracts is really making a difference locally, "By purchasing from local farmers such as myself, it gives local residents the opportunity to consume high quality local food, as well as providing financial support to local farmers. I can say that just by purchasing from my farm there is a huge local agri-business spin-off. It has been great working with the City and I hope it continues!"

## SIGNS OF IMPACT

In 2016, the City saw an increase of 38% in local food purchasing. Dan credits this to the innovation of the staff in the long term care homes that are using local produce, and the consistency of local produce and product coming into the homes from the forward contracts.

In some cases, the City's forward contracts were so successful that the broadline distributors started to take notice. Loudon Bros. Wholesale is the large broadline foodservice and wholesale distributor in North Bay. Dan uses Loudon's for many of his food purchasing needs. Until recently, the amount of local product Loudon's was carrying was minimal - which was one of the reasons that Dan started to create the forward food contracts. Loudon's soon became aware that they were losing market on a few large commodity items the City was creating contracts for; in particular B&B Potato Farms and TBay Meat Processors - a local abattoir.



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B&B Potato Farms had a forward contract in place with Dan. Loudon's realized that there was a large market for their product and brought them on as a vendor. Dan is now able to draw local potatoes for the City through Loudon's, which is great news to Dan. "We can combine these purchases with multiple items we are purchasing already from Loudon's for supply chain efficiency."

In the case of the Thunder Bay Meat Processors, Dan was working with a local beef farmer who wanted to see the long-term care homes buy a side of beef. This would have helped the farmer sell some of the less popular cuts of beef at an affordable price to serve to LTC residents. However, not only do the staff at the homes lack the skills and time to butcher a full side of beef, but elderly residents can't always eat all of the cuts of beef.

Dan worked with Thunder Bay Meat Processors and Loudon's to create a local brand of boxed second-tier quality meat from multiple farms. These cuts are well-suited to long term care for texture modified foods, and are affordable cuts that are not in demand from the farms' larger customer base. The meat is merged at Thunder Bay Meat Processors, and Loudon's distributes it through their channels. The product is so popular that Loudon's worked with the team to create special packaging for it.

"The success with this product is so great that we don't need a forward contract to move it," says Dan. "Loudon's (has shown to be) responsive to regional needs. At some point big players will say - we're losing market share. Let's change our policies so that we don't need just federal and can have provincial and regional as well."

That would be Dan's idea of ultimate success. "I hope not to do forward buying in the future. I'm doing it now because the need is there, but at some point broadline distributors will say we missed the boat. In the next 10 years I may have zero food forward contracts, and I would see that as a success."

## SUSTAINING THE WORK

In 2017 the City undertook an Agriculture Market Survey research project. This project has the potential to turn the local food system from a pull to a push - meaning that the City can show what they want or are purchasing, and in what quantities to potential producers for food contracts, rather than producers marketing their new products to be considered for institutional food purchasing.

This resulting report allows producers to find out what commodities are being purchased and in what amount so that farmers can grow what is in demand, and can potentially scale-up operations with the data that proves to banks that there is a market. This will open up the opportunity for new producers to participate in food forward contracts.

As Kevin Belluz observed, “forward contracts are not right for every business,” but with this transparent information, a producer can decide if a food forward contract is right for them.

“What we created in Thunder Bay could be done anywhere and attain similar success. This stuff is simple, it’s not complex. You can massage the model to fit your organization,” says Munshaw. He is currently working with the local school board as they begin to understand their supply chain. The school board operates their own food service and there is potential there for them to participate in a larger buying group with the City.

The City developed a local supply chain model to aid the purchase of local food in its child care and long term care centres. They set achievable purchasing goals, created systems to track and report on local food purchases, and also undertook to better understand the experience of businesses in the local food supply chain around selling to the BPS. A series of training events were organized, including touring producers through the municipal institutions to better understand institutional needs and capacity, and another event to help partnering institutions implement local food procurement.

In addition, the City developed local food procurement field guides for procurement staff and institutional food services management staff, and workshops were held for both producers and purchasers on how to use these guides and work together to advance institutional procurement.



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Dan’s focus now is converting these successes and proof of concepts into policy. “At first I was just gung-ho and did it, but now I can see the need for policy and bigger picture, influencing legislation at the provincial level. You need food champions in the beginning of the work, that’s how things get started. But then these successes have to be converted into policy.”

Dan is a sought-after presenter, with invitations to speak provincially, nationally and internationally about Thunder Bay initiatives he has had a hand in. He is an innovator in the Nourish project and is part of a group working to support implementation of the BPS purchasing policies in the Local Food Act.

Dan ends his presentations and interactions with interested audiences in the same way and with the same motivation every time:

**“Take control of your food system. Do it. I dare you.”**

## TIPS TO WRITING A FORWARD CONTRACT

Core Conditions	Optional Value Added Conditions
Price or method to determine price	Returnable packaging
Volume or time period	Composting/addressing food waste
Product description and standards	Inclusion of social enterprise content
Minimum health and safety requirements (traceability, certification, inspection, etc.)	Farm-to-plate marketing initiatives (tours, videos, education events, farmers markets, etc.)
Payment and delivery terms	GHG emission reporting
Unit/package size	Early or pre-payment (partial or in full)
	Innovative delivery models (i.e. consolidated shipments from several growers)
	Consider additional value-added conditions as the “playing field” for creativity and innovation. This enhances value added service with regional growers vs. basic services from broad line distributors

