What if States Funded Farmers to Sell to Schools?

This document is part of a resource series on Local Food Purchasing Incentives (LFPIs), produced through collaboration between the Michigan State University Center for Regional Food Systems (CRFS) and the National Farm to School Network. This project aims to contribute to the growing body of knowledge on LFPIs and provide more information for farm to school advocates and practitioners nationwide.

State-level local food purchasing incentive programs (LFPIs) typically provide funding to schools to purchase local foods from local producers — but what if this narrative was flipped to create "farmer-focused" incentives?

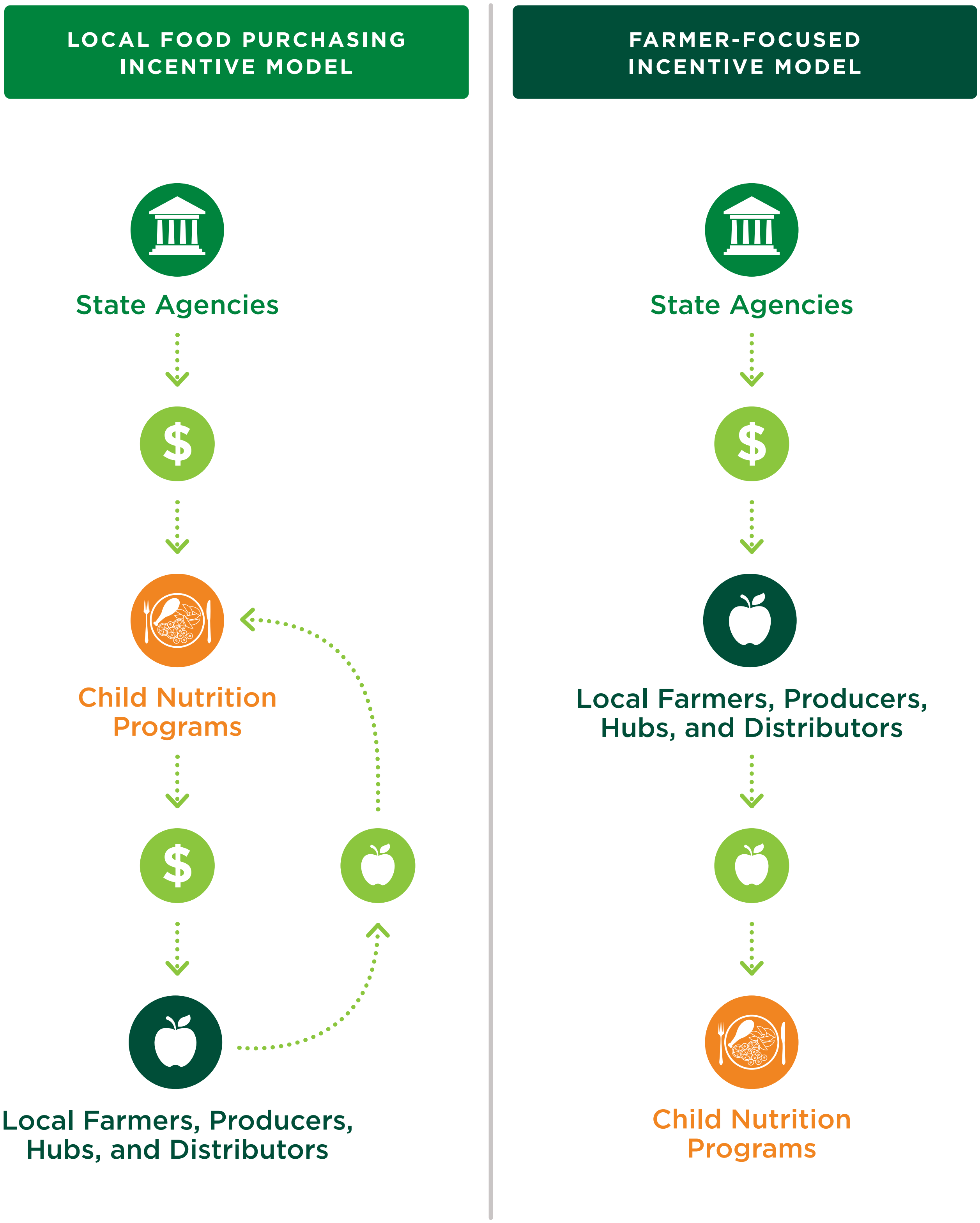
This resource considers alternative ways that policymakers can directly subsidize local farmers, food hubs, and other producers to increase their sales to K–12 schools and early care and educational (ECE) settings.

We highlight the benefits of a farmer-focused model, explore possible program design pathways, and share several examples of these programs. This resource also spotlights opportunities for farmer-focused LFPIs to support values-aligned (VA) school food purchasing by directly incentivizing purchases based on producer characteristics or practices or product characteristics.[1]

Photo Credit: Sarah Rypma

1 See Incorporating Additional Values into Local Food Purchasing Incentives for more information on values-aligned purchasing.

Figure 1. Current LFPI vs. Farmer-focused LFPI Models



BACKGROUND

LFPIs are programs that provide additional funding to child nutrition program (CNP) operators to directly offset or incentivize local food purchases. Typically funded and operated at the state level, these programs intend to increase the purchasing of local foods in school and ECE settings. The first state-level LFPI was established in 2001, and as of August 2023, at least 16 states and Washington, DC, have established LFPIs (Bull, 2022).[2]

A “farmer-focused LFPI model” is a model that directly subsidizes local farmers, food hubs, and other producers. To date, no state government currently has a permanent, statewide farmer-focused LFPI model. However, this model gained traction due to the **USDA Local Food for Schools Cooperative Agreement Program** (LFS). This temporary COVID-19 relief program (2022–2024) provided up to $200 million to state agencies that could be spent on local foods for school meals. While most states designed programs that mirror standard LFPI models, several state agencies (outlined below) developed farmer-focused models to spend their LFS funding.

The farmer-focused model was also commonly used by state agencies through the similar COVID-19 relief **USDA Local Food Purchasing Assistance Cooperative Agreement Program** (LFPA, 2022–2025). This program provides funding to state, tribal, and territorial governments to purchase local food for use in food banks, schools, community feeding programs, and other institutions like hospitals. The explicit purpose of both programs was to support socially disadvantaged farmers and ranchers and small businesses.[3] Dy and Seybold (2023) explore the designs and early implementation of both LFS and LFPA in greater detail. Other examples of farmer-focused LFPIs outside of these federal funds have existed in the past, either on a statewide scale or administered by nonprofit organizations, academic institutions, and/or local governments, including with foundation funding.

Several existing LFPIs also have dedicated tracks that provide funding to producers. For example, California’s Farm to School Incubator Grant and Oregon’s Farm to CNP grant programs have tracks specifically for local food producers and aggregators to build their capacity for school food sales. Allowable expenses for these tracks include the purchase of infrastructure and equipment to grow, process, store, or deliver local food to institutions. California’s and Oregon’s programs give preference to VA producers, which may include small and midsize producers, businesses owned by individuals who identify as Black, Indigenous, and people of color (BIPOC), veterans, members of the lesbian, gay, bisexual, transgender, and queer (LGBTQ+) community, women, and other forms of identity-based ownership; producers with fair labor practices; and producers with climate-smart practices.

Though programs that provide support for infrastructure and equipment are critical to supporting a holistic, systems approach to farm to school, this resource focuses on programs that provide funding to producers specifically to offset the cost of local foods rather than nonfood costs.

2 Bull (2022) does not include two programs we are listing here: Kentucky’s **Buy Local Program** and Connecticut’s Local Food for Schools Incentive program, which was created by SB 1 in 2023.

3 According to USDA Agricultural Marketing Service on the **2022 LFS cooperative agreement request for applications**, a socially disadvantaged farmer or rancher must be “a member of a Socially Disadvantaged Group. A Socially Disadvantaged Group is a group whose members have been subject to discrimination on the basis of race, color, national origin, age, disability, and, where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or a part of an individual’s income is derived from any public assistance program.”

INTEGRATING VALUES-BASED PURCHASING IN FARMER-FOCUSED LFPIs

As interest continues to rise in LFPI policies, the conversations around them are expanding beyond prioritizing purchases based simply on whether they are "local" foods. Advocates are also interested in incentivizing other values or attributes related to the foods that are purchased and the people producing them. Several states have incorporated VA components into their LFPI designs. Defining what values to incentivize is contextually specific and can be done by state policymakers or by administering agencies, depending on the program design.

> **See the accompanying resource on values-aligned purchasing and LFPIs for more information.**

While farmer-focused LFPIs do not inherently have VA components, it may be administratively easier and more effective to incorporate VA purchasing in a farmer-focused model than the standard LFPI model. This is due to the centralized manner of farmer-focused administration. In the current standard LFPI model, food service directors must identify VA producers and products and make purchases. In some states, agencies and nonprofit partners have provided directories that list VA qualifiers or attributes along with producer names. However, asking food service directors to make VA purchases, and in some cases provide documentation around those purchases, adds another administrative barrier for food service professionals. In a farmer-focused model, the state agency works with and verifies VA food producers before engaging in grant contracts or agreements with them. Thus, food service directors do not have to worry about the additional process of identifying which producers qualify with their state's definition of VA. Ways to incorporate VA purchasing in farmer-focused LFPIs vary by design and are outlined in the following pages.

WHY FARMER-FOCUSED LFPIs?

While existing standard LFPIs offer many benefits and effectively incentivize local purchasing, farmer-focused LFPIs can offer several benefits as well, as outlined below.

- **Ensuring VA producers directly benefit from incentive funds.**
  Depending on how LFPI programs are designed, CNPs participating in their state's LFPI may purchase much of their local foods from large distributors (such as Sysco or US Foods) or purchase processed local products from larger, albeit locally based, food manufacturers. It is simply easier for food service directors, already stretched thin, to work within the status quo of national and regional school food distribution channels for local purchases. While this still benefits the local food economy, many small, independent farms and food businesses that could benefit from school markets may be left behind or left out. For states looking to explicitly direct support to specific types of producers, farmer-focused LFPIs can more effectively achieve these goals.
- **Reducing the administrative burden on school food service directors.**
  Under the current standard LFPI model, food service directors must find, order, process, and serve local foods, and then report their purchases to the state agency that administers the program. Though some states have robust efforts to offer value-chain coordination services and/or reporting assistance to reduce the burden on individual schools, finding and forging relationships with local producers is time consuming for food service directors. Food service directors without substantial support may not

have the food systems expertise to make these crucial connections. Under a farmer-focused model, the administrative burden is shifted away from food service directors. Instead, local food businesses are incentivized to forge relationships with schools, and food businesses are responsible for sharing purchasing data and other documentation with the state agency.

Farmer-focused LFPIs inherently will increase the administrative burden on participating local food vendors. However, as in current standard LFPI models, state agencies can facilitate these connections by providing contact information of school food service directors and organizing meet and greets, which would support participating producers. Because producers already submit invoices to CNPs to complete their transactions, submitting invoice copies to state agencies may appear as less of a lift than in the current model, where food service directors must submit documentation and local purchase tracking sheets to state agencies.

- **Reducing the administrative burden on state agency officials.**
  Depending on the design, some farmer-focused LFPIs may reduce the burden on state agency officials. Under the current standard LFPI model, state agencies typically review and reimburse participating schools across the state or review applications and conduct audits with participating CNPs. In farmer-focused LFPI models in which the state contracts directly with food hubs, distributors, or producers (mentioned in the next section), vendors are responsible for tracking and reporting school food sales in aggregate. This creates less of an administrative burden for state agencies, which would process reimbursements to and from a handful of food businesses rather than dozens or hundreds of CNPs. However, other variations of farmer-focused models may not reduce the administrative burden on state agencies.

INTEGRATING FARMER-FOCUSED LFPIs AND EXISTING LFPIs

Farmer-focused LFPIs and standard LFPIs may coexist as mutually beneficial policies.

Vermont, Washington, and Utah all administered farmer-focused LFPIs through LFS and state-funded standard LFPIs simultaneously during the 2023–24 school year. State agencies can offer a farmer-focused LFPI track as part of a comprehensive LFPI grant package. For example, in a state with an existing LFPI administered as a grant program, CNP operators can spend their LFPI funds on any local food producers and also work with vendors who are participating in the farmer-focused LFPI. The two transactions do not necessarily have to overlap or exclude one other.

Having these complementary policies provides benefits, too. For example, Washington's statewide farmer-focused LFPI design supports sales with large-scale farmers and cooperatives, and their current LFPI, the Farm to School Purchasing Grant, encourages CNPs to make connections with hyperlocal farmers and ranchers. In a state with an existing LFPI, where CNPs mostly purchase local foods from large-scale food distributors, creating school food sales grants explicitly for local farmers can help diversify the types and scale of food businesses that benefit from this institutional market channel.

MAIN DESIGNS OF FARMER-FOCUSED LFPIs

Farmer-focused LFPIs could be designed in a variety of ways, but there are three primary channels for them:

1. **establishing contracts with food hubs and distributors,**
2. **administering statewide bidding opportunities for local food, and**
3. **providing direct grants to farmers and food businesses.**

It is important to note that these examples are not exhaustive, and there are variations within each design. Further exploration of these designs is presented in the subsequent pages.

Figure 2. Three Main Approaches to Farmer-focused LFPI Models

Contracting with Food Hubs and Distributors	Administering Statewide Bids for Local Food	Creating Grants for Local Farmers and Food Businesses

Photo Credit: Sarah Rypma

Contracting with Food Hubs and Distributors

HOW THIS WORKS

State agencies issue a request for applications (RFA) and engage in contracts with one or more food hubs or distributors. The process of choosing vendors may involve a bid process and incorporate additional factors beyond price. Food hubs are assigned CNPs in their territory or region, which may vary by state and would be determined by legislation or the administering agency. Each CNP is given a funding allotment or "account" that they can spend down at the food hub. The food hub is then responsible for providing documentation to the state agency for periodic reimbursement.

POTENTIAL BENEFITS

- Reduces administrative burden on state agencies, food service directors, and individual producers.
- Limits the number of vendors that food service directors must engage with, which is especially helpful for CNPs operated by food service management companies that have strict vendor guidelines and face difficulty often adding small businesses as vendors. This may also be beneficial for smaller CNPs that have limited staff and capacity to work with many vendors at once.
- Strengthens food supply chains, encouraging more local farmers to connect with other institutions and wholesale buyers.
- Engages wide networks of local farmers that sell into or are connected with food hubs, some of whom may not want to or have the capacity to engage in direct sales with CNPs.
- Payments to farmers may be faster through food hubs than through state agencies.

POTENTIAL CHALLENGES

- May be difficult for food hubs that operate on thin margins and may not have working capital to front the costs for local food purchases while waiting for reimbursement from the state. There may be design solutions, such as funding third-party nonprofits as reimbursement intermediaries, that can more quickly reimburse food hubs.
- Requires a preexisting network of hubs, distributors, and aggregators that can serve different regions in a state, which not all states have.
- May be difficult to include accountability measures that ensure food hubs are working equitably with producers who want to sell to schools.

Contracting with Food Hubs and Distributors

EXAMPLES

- [Vermont](#) and [Rhode Island](#) used this design for their USDA Local Food for Schools programs.
- The USDA Fresh Fruit and Vegetable Pilot Program has a similar model that has yielded positive results (Corey et al., 2018). However, in this model, CNPs can spend their entitlement funds on produce from any approved vendor in their area.

HOW TO INCORPORATE VA PURCHASING

- When creating bids for food hubs to engage in contracts, give preference to applicants with robust relationships with VA producers or those who pledge to work with VA producers. This exact guidance would need to be determined in the program's rulemaking stage.
- Require food hubs to track VA sales and promote VA producers. Public transparency about the producers and their products can help CNPs market and promote their foods served in the cafeteria.
- Require a specific percentage of funds to be from VA producers.

OTHER CONSIDERATIONS

- RFAs can be limited to nonprofit food hubs but may also include for-profit food hubs and other businesses such as distributors, aggregators, and cooperatives.
- State agencies may want to allow food hubs to charge for overhead, transportation, and administration if food hubs are required to provide substantial documentation and are not able to include these costs in price markups typically set by wholesalers. State agencies can establish a cap on what percentage of funds can be used by food hubs for administration. This may not always be necessary as some food hubs will incorporate additional program administration costs into sales margins.

Administering Statewide Bids for Local Food

HOW THIS WORKS

The state agency connects with CNP program managers to understand their demand for different local food products. The state agency then administers an open bidding process for producers and awards contracts. The state executes these contracts, ensuring producers are paid upon invoicing.

POTENTIAL BENEFITS

— Reduced administrative burden on food service directors, who share their preferences for local foods and accept deliveries.

— Bids from producers and food businesses accepted directly by state agencies.

— Products purchased on behalf of CNPs decided directly by state agencies.

POTENTIAL CHALLENGES

— May lead to large-scale local food businesses being awarded bids, as they may have a greater capacity to complete bid forms and offer competitive prices for items. This may not be a challenge if reaching VA, small farmers is not a primary goal of the state agency.

— May not result in strengthened community relationships between food service directors and hyper-local producers.

EXAMPLES

— Washington and Utah used this design for their USDA Local Food for Schools programs. Utah's bid was for beef and bison, and Washington incentivized bids for locally sourced dry and frozen goods.

— This model is similar to how schools order USDA commodity foods, including working with state agencies that administer CNPs. Washington utilized existing USDA warehouse and distribution networks to deliver this local food to schools.

HOW TO INCORPORATE VA PURCHASING

— Provide scoring preference for VA components in bid scoring criteria.

— Create carve-outs to award amounts of program funds for VA producers.

— Require VA reporting among bid recipients.

Administering Statewide Bids for Local Food

OTHER CONSIDERATIONS

- There are many possibilities for food to get to schools in this type of model. For example, food service directors may order their items from awarded producers or the state agency can manage orders. Either the state agency or the vendors may be responsible for delivery. State agencies could work with existing distribution networks, such as USDA food distribution centers, for easier aggregation and distribution of purchased foods. This creative distribution strategy was used in Washington's LFS program.
- This design may be simpler to administer if products are shelf-stable or frozen but can also work with fresh and minimally processed produce.
- If possible, state agencies should guarantee sales with food producers.

Photo Credit: Sarah Rypma

Creating Grants for Local Farmers and Food Businesses

HOW THIS WORKS

The state agency creates a competitive grant program and releases an RFA for qualifying farmers and food businesses. Awarded producers are notified that they will be provided a grant award up to a maximum amount. The producers are reimbursed for the sales they make to CNPs. For example, a participating producer would sell $50 of tomatoes to a CNP, but the producer invoices the state agency for payment rather than the CNP. Producers may be able to receive reimbursement more promptly if the state agency contracts with a nonprofit partner to administer the program or holds intermediary funds for reimbursing participating producers.

POTENTIAL BENEFITS

- Reduces administrative burden on food service directors, including time and effort to find local food producers.
- Can facilitate meaningful relationships between hyperlocal, direct-market farms and CNPs.

POTENTIAL CHALLENGES

- Increased administrative burdens on producers to apply for and comply with grant stipulations.
- Increased administrative burdens on food service directors, who may need to add new producers to their vendor systems.
- Need to evaluate the extent to which CNPs are limited in vendor choices due to vendor restrictions placed by food service management companies. Policymakers can conduct a landscape analysis to determine if this option is right for their current context.

EXAMPLE

- In Michigan, the foundation-funded **Hoophouses for Health** program, operated through a partnership between an academic institution and a nonprofit organization, provided zero-interest "loans" to farmers to purchase farm infrastructure, such as hoophouses. These loans were "repaid" through "sales" to eligible schools, ECE sites, and families at farmers markets.

HOW TO INCORPORATE VA PURCHASING

- Limit grants to VA producers or award preference points for VA farms.
- Create carve-outs to award amounts of funds for VA producers.

Creating Grants for Local Farmers and Food Businesses

OTHER CONSIDERATIONS

— These programs should include ample funding for technical assistance providers and/or training through the state agency or nonprofit partners to support farmers with food safety and in making sales to schools. Dissemination of these funds would be determined in legislation or by the state agency but would likely be administered through an open RFA process.

— This model would likely require additional verification from food service directors that food was delivered to their cafeteria. This verification could come in the form of signatures on invoices or other attestations from food service directors.

— State agencies could establish a cap on how much of their grant award can be for sales to one CNP to ensure multiple CNPs benefit or decide not to cap sales to CNPs.

CONCLUSION

Farm to school advocates and state policymakers could consider farmer-focused LFPI models as a complement to existing LFPIs or a viable alternative model to increasing local food in schools. The three main pathways to developing a farmer-focused incentive include establishing contracts with food hubs and distributors, administering statewide bidding opportunities for local food, and providing direct grants to farmers and food businesses. Each pathway has its unique benefits and considerations. Depending on their design, farmer-focused LFPIs can ensure intended producers are benefitting from incentive funds and reduce the administrative burden on food service directors and/or the state agency officials. Farmer-focused LFPIs can also be an easier way to integrate VA purchasing than the current LFPI model because they may remove the additional layer for food service directors to find and track VA producers and products.

As we continue to navigate the landscape of local food procurement for schools, the adoption of farmer-focused LFPI models emerges as a strategic choice going forward. Though these programs are not yet common among states, they are currently being implemented by several agencies through the temporary COVID-19 relief USDA Local Food for Schools Cooperative Agreement Program. Further investigation, including evaluations and case studies, is warranted to delve into the intricacies of administering these programs and further refine their benefits and drawbacks. This research could assess the extent of their effectiveness in achieving diverse goals and gain firsthand insights from stakeholders regarding their responses to the program.

By embracing and examining these models, we can contribute to shaping a resilient and responsive local food system.

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LEARN MORE

> See National Farm to School Network's Webpage on Local Food Purchasing Incentives for an up-to-date list of state programs.

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> To find more resources on LFPIs, go to **foodsystems.msu.edu/local-food-purchasing-incentives** and **farmtoschool.org/resources**. Contact Cassandra Bull at **cassandra@farmtoschool.org** or Colleen Matts at **matts@msu.edu** for more information.

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