

# HOW TO APPLY A GEOGRAPHIC PREFERENCE

On February 1<sup>st</sup>, 2011 USDA released a memo, SP\_18-2011, that offers a Question and Answer format on how a geographic preference may be applied. To view the memo, go to: http://www.fns.usda.gov/cnd/Governance/Policy-Memos/2011/SP18-2011\_os.pdf.

Below are highlights and major points from the memo.

# What is the Definition of Local or the Defined Geographic Area?

It is the purview of the school district or the School Food Authority (SFA), or purchasing institution to define what is "local." USDA does not make this determination.

# What USDA Programs May Apply for a Geographic Preference?

The programs include: the National School Lunch Program, the School Breakfast Program, the Fresh Fruit & Vegetable Program, the Special Milk Program, the Child and Adult Care Food Program, and the Summer Food Service Program. Also included is the Department of Defense Fresh Program, noted in a previous memo, dated November 13, 2009, SP 08-2010 CACFP 05-2010 SFSP 06-2010 and available here: www.fns.usda.gov/...Memos/.../SP\_08\_CACFP\_05\_SFSP\_06-2010\_os.pdf

# Is there a requirement to purchase local products?

No, a SFA cannot include language such as "we will only accept locally grown products." This is a considered a requirement and not a preference. Applying geographic preference is an option.

# If the bidder or supplier is incorporated outside of the state, but doing business in the state, can they be included in a geographic preference option?

Yes. A grower may be producing within state boundaries, but the business may be incorporated outside of state boundaries – or in another state. As long as the agricultural products are grown or raised within the specified location, applying a geographic preference is an option.

# How can a SFA use a geographic preference option when issuing an Invitation for Bid (IFB)?

With an IFB, the contract is generally given to the bidder who meets the specifications and has the lowest price. As part of an IFB, the SFA could write specifications that include picked within one day of delivery, harvested within a certain time period, or traveled less than XX miles or hours.

Although the IFB process doesn't generally utilize the point system, the essence of the point system could be incorporated into the price equation. For example, if a bidder meets the geographic preference, they may have 10 cents (instead of points) deducted from their price. (Refer to the USDA memo cited in the first paragraph, then see **Question 5** for a specific example.)

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# Can a geographic preference be given in terms of a price percentage?

Yes, a geographic preference may be used in terms of points or percentages. For example, a product qualifying for a geographic preference could be 10% higher in price than the lowest bid. **Is there a limit on the price percentage or points allocated in this manner?** No, there is no limit, but the SFA cannot unnecessarily restrict free and open competition.

# Can a SFA split up large purchases into smaller amounts and thereby fall under the small purchase threshold?

No. However, there may be situations where particular items may be separated from overall food purchases. For example, produce, or specific produce items, may have a limited shelf life when compared with other products. Bread and milk are typically set aside from large overall food purchases because of their shorter shelf life and durability. Fresh produce may fall into this category as well, and be separated from other items being purchased.

# Can a SFA utilize the small purchase threshold when purchasing directly from the farmer?

Yes. The federal small purchase threshold is \$100,000, which means purchases under this amount are not required to go through the formal bid process. This threshold may be lower, as states and schools/school districts can set this amount. When purchasing under the small purchase threshold, it is recommended that three quotes be recorded from eligible sources. The quality, number and type of product should be put in writing before contacting potential growers. If possible, at least three bids should be obtained. If it is difficult to find three sources with the desired product, it is essential to document this situation. Documentation should be thorough whenever this purchasing option is used.

# Can a state mandate, or require SFAs to apply a geographic preference?

No. However, a state can require that SFAs exercise a geographic preference when feasible. Feasibility may take into account a variety of factors such as price, quality, and seasonal availability.

# What agricultural products qualify for the use of a geographic preference?

To qualify for this option, agricultural products must maintain their inherent character. Specifically, this includes: ground beef and other ground products that do not contain additives or preservatives; frozen vegetables, including a combination of local products, such as carrots, broccoli and cauliflower; and portion sized or single-serving bags, such as apples or carrots. Canned products do not\_maintain their inherent character and therefore are not included in the geographic preference option.

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