

Ontario's Broader Public Sector

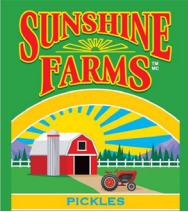
New Opportunities for
Ontario's Food and
Beverage Processors

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Possibility grows here.

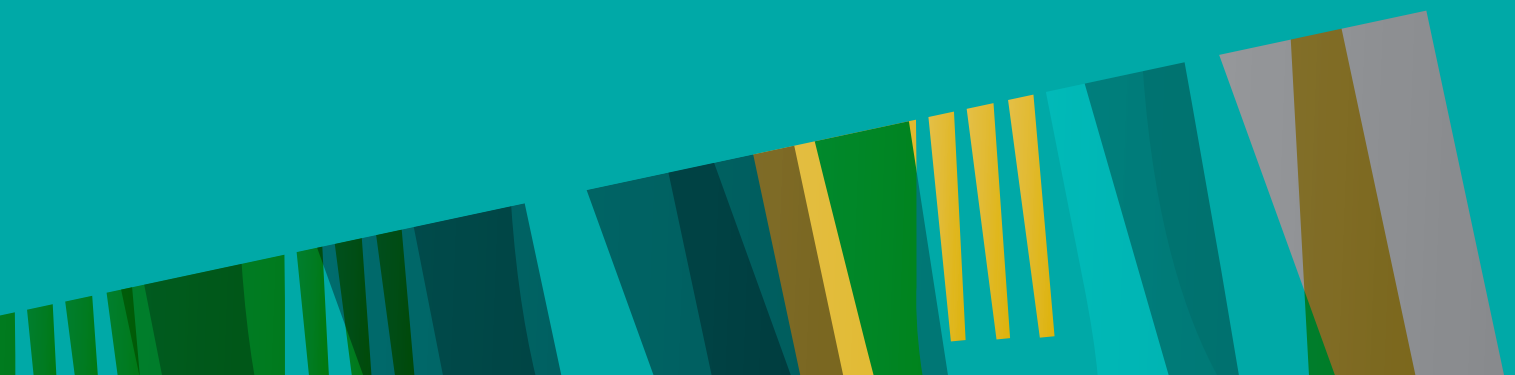


You are one of Ontario's more than 3000 food and beverage processors. You've successfully brought a great-tasting, safe, quality product to market, and you continue to look for new markets for your products. Ontario's public institutions are increasingly looking for quality Ontario foods and beverages – **could your product be what they are looking for?**

Ontario's Broader Public Sector (BPS) institutions, including hospitals, school boards, universities, colleges and municipally-run long term care (LTC) facilities, are a growing market for Ontario-made food and beverage products. The sector is enormous, spending approximately \$750M on food each year. These institutions are seeking Ontario-originating processed foods and beverages for a number of reasons:

- Customers and clients in the BPS increasingly demand fresh, local food
- BPS institutions seek custom products with qualities that are not met by imports, but can be more easily addressed through collaborating with Ontario processors
- Processed foods save institutions time and labour dollars, while providing consistency and predictability to meal preparation and planning
- The Local Food Act encourages the BPS to seek out more Ontario produced foods

When it comes to food, BPS institutions have unique needs and challenges. This paper outlines common BPS procurement processes and provides guidance on specific business opportunities for Ontario's food and beverage processors.



Foodservice Structure in the BPS

In-house foodservices: an institution's employees purchase and prepare food for patients or customers. An in-house foodservice manager may have many suppliers and more flexibility in choosing what products to purchase. However, some rely on Group Purchasing Organizations (GPOs) to negotiate better prices for a more limited selection of food and beverages.

Group Purchasing Organization (GPO): an organization that leverages the buying power of many facilities to negotiate product discounts, including food and beverage contracts.

Contracted caterers: the on-site manager of a contract caterer often use suppliers that are approved by the contracted company, such as Aramark, Compass Group or Sodexo.

BPS institutions may run one or more foodservice operations to satisfy the needs of their clients, each of which may be managed differently. In addition, each sector in the BPS structures their foodservice operations somewhat differently.

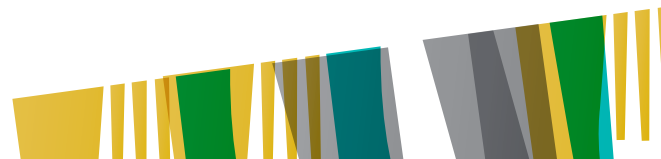
Ontario's more than 150 **hospitals** and 150 **municipal long term care (LTC) homes** serve almost 118 million meals per year through in-house foodservices and contracted caterers¹. Larger distributors provide these facilities with the majority of foods, but smaller distributors are sometimes used for specialty items or occasional catering contracts. Healthcare facilities often use Group Purchasing Organizations (GPOs) to negotiate food contracts.

Unlike healthcare, the province's 48 public-sector **universities and colleges** serve customers with the ability to choose where and what they eat. The foodservice model in this sector is typically a combination of in-house operations and contract caterers. Facilities will often utilize both types of foodservice management at different locations on the same campus.

Ontario public schools, including **elementary and secondary schools**, serve an estimated two million students² each year through school nutrition programs (SNPs) or in-school cafeterias (in-house or contracted foodservices). There are regulations for public schools that aim to make school food healthier. Foods with high levels of fat and sodium or that have sugar as the first ingredient cannot be served.

Universities, colleges and hospitals may also host food franchises in their facilities. These businesses typically have their menus and ingredients mandated by a corporate office, leaving little room to introduce new products.

Most institutional buyers rely on a GPO or contracted caterer to source products of satisfactory price, quantity and quality. Institutions typically have contracts for 80% of their food budget, with the remaining 20% available for discretionary spending.

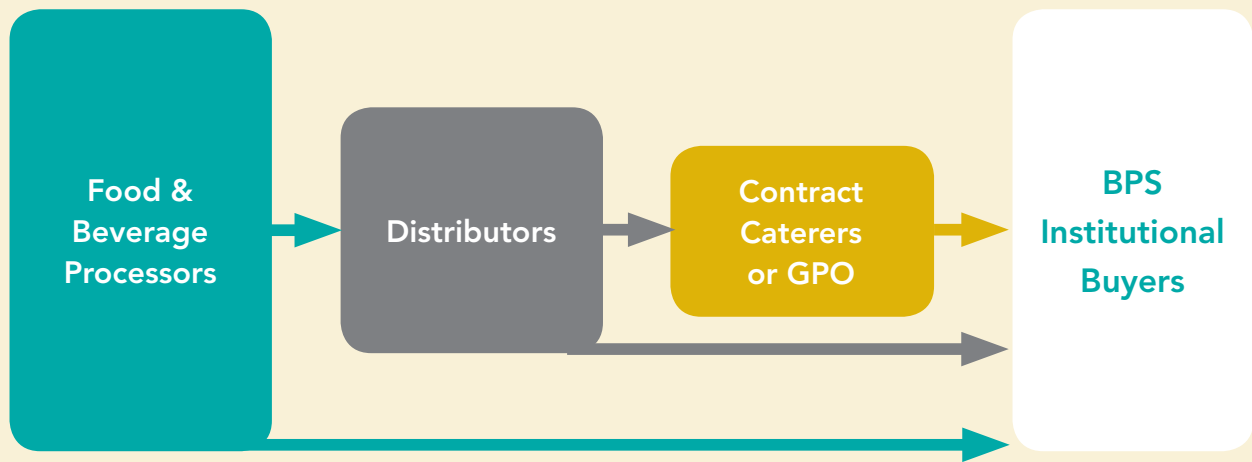


Distributors deliver food to BPS institutions and are an important stakeholder in the BPS food value chain. For a BPS institution to order your food, it usually has to be carried by one of their distributors. Popular distributors in Ontario include Sysco, Gordon Food Services (GFS), Summit and Flanagan Foodservice. These distributors can list a product on special order, but typically require a minimum number of case orders per shipment (often five, but can be as low as three). Institutions often

source fresh produce, dairy, baked goods and meat separately and may use one or more of Ontario's many specialty distributors (e.g. Bamford Produce, Canada Bread or Deanco Meats) to fulfill these orders.

A small number of institutions have the flexibility to purchase directly from nearby suppliers, such as local bakeries, breweries, restaurants or other processors.

Sources of Processed Foods and Beverages for BPS Institutional Buyers



Food Procurement in the BPS

Hospitals & Municipal Long Term Care Facilities

Since the 1990s, hospitals have been moving away from scratch cooking for budget and efficiency reasons. A lot of the food hospitals buy is lightly processed (e.g. peeled and sliced produce) or fully processed (e.g. frozen entrées) and cooked in systems, such as re-therm ovens, which heat meals in bulk. Healthcare food purchasers typically look for foods that are compatible with these re-therm systems, when in use. Commonly served foods in this sector include fully prepared entrées, soups and meats, as well as desserts, texture modified products (minced or puréed food) and portion-packed beverages.

When planning patient menus in the healthcare sector, dietitians look closely at the nutritional makeup of every food item, following Canada's Food Guide and Ministry of Health nutritional guidelines and considering protein, sodium, fats and other criteria. Other considerations include packaging, which must be compatible with food trays and be secure, yet easy, for patients to open.

LTC facilities are more likely to have the capacity to prepare patient meals from scratch, though even full-kitchen facilities often rely on processed foods, such as frozen or canned fruits and vegetables, to reduce labour needs. Other products commonly purchased by LTC facilities include prepared desserts and baked goods, meats and other protein, and most beverages.

Regulations in LTC require that facilities serve fresh and seasonal foods and refresh their menus at least once a year. In order to serve a variety of foods and keep menu planning manageable, menus typically run in one to three week cycles before repeating.

Universities & Colleges

Universities and colleges primarily serve students (especially first-year students on meal plans), but also serve staff and visitors. Typical university and college campuses have more than one foodservice outlet, and one or more might be managed by the institution itself, while other foodservice outlets might be managed by contract caterers, franchises or independent brands.

Most campuses have the ability to prepare food from scratch, but will purchase a variety of processed foods and beverages to reduce labour and equipment needs. Popular items include processed deli meats, pre-cut and portioned fruit, packaged snack products (e.g. granola bars, hummus with crackers), baked goods, desserts and recipe inputs, such as fillings and toppings. Unique items such as ethnic foods or gluten-free baked goods are also purchased from processors, relieving the facility of the need for highly specialized food preparation facilities.

Schools (K-12)

School cafeterias are usually run by food service companies, especially at larger high schools. Smaller high schools, and those with culinary programs, are more likely to operate in-house foodservices. Some school boards coordinate food services across all schools, while others delegate the management of foodservices to individual schools. Regardless, all foods sold to students on school grounds must adhere to Policy/Program Memorandum No. 150 (PPM 150), which makes it impossible for schools to sell students 'junk food', especially fried foods, sweet or salty snacks and sweetened beverages. For specific nutritional guidelines, see Appendix:

Nutrition Standards for Ontario Schools on pg. 6 of the Policy.

The limiting nature of PPM 150 and competition with fast-food restaurants has made it necessary for high school cafeterias to adapt. Emerging cafeteria programs, such as Toronto District School Board's 'My Food My Way' program and Durham District School Board's 'Cafeteria Connects' project, are developing recipes and sourcing foods that appeal to students' tastes and budgets, while also adhering to PPM 150.

School Nutrition Programs (SNPs) provide breakfast and/or snacks

to children at elementary schools. Most SNPs rely on volunteers, and therefore need fresh and processed foods that can be served as-is. The majority of SNPs will adhere to Ministry of Children and Youth Services' Student Nutrition Program Nutrition Guidelines, which follows Canada's Food Guide. Grain products such as bread, crackers, wraps, cereal and mixes for pancakes or muffins; milk products such as cheese and yogurt; and processed fruit such as juices and fruit cups are all in demand. Some SNPs have worked with food processors to create foods like local granola bars and low-sodium turkey pepperettes.

The BPS Procurement Directive aims to ensure all Ontario BPS institutions, and the companies or agencies that buy goods and services on their behalf, spend public funds fairly and transparently. The Directive contains a non-discrimination clause that applies to purchases or contracts of \$100,000 or greater, which states: "organizations must not differentiate between suppliers, or goods or services on the basis of geographic location in Canada."

At first glance, the discrimination clause appears to be a major barrier for any BPS institution wanting to purchase food from Ontario processors, especially when food is commonly purchased on large contracts by contracted caterers or GPOs. Fortunately, as a Green Paper (August 18, 2014) by the Greenbelt Fund outlines, there are several ways to work within the Directive while still supporting Ontario producers and processors. Once a facility has confirmed that the Directive applies to them (small purchasers and contracts are unaffected), they may, for example, restructure their food contracts or creatively alter their policy language.

Key Purchasing Criteria of the Ontario BPS

Price

Products must be competitively priced. High school, college and university students gravitate towards affordable food options. SNPs often rely on donations and look for nutritious, yet affordable, options. Processors with affordable products will find increased success in BPS markets.

One Ontario SNP would like to purchase in bulk to take advantage of cost savings, but there are no suppliers. The SNP currently buys several foods at retail price, which is hard on their budget. SNPs may be an opportunity for bulk sales of nutritious, non-perishable foods and snacks.

Quantity

BPS institutions tend to have predictable numbers of foodservice clients and will seek products from suppliers who can consistently meet their volume needs. A successful processor may need to have a steady supply of product.

Quality & Consistency

Foodservice providers test recipes in their equipment and taste-test ready-made products to ensure their clients receive quality food. LTC facilities may even ask residents to taste-test new food items.

Minor changes in product taste, form factor, texture, ingredients or packaging can interfere with a foodservice provider's ability to meet the needs of its clients. Facilities will seek to resolve unexpected changes by consulting the processor and distributor. If the issue can't be fixed, the facility will seek other suppliers.

Safety & Accountability

BPS institutions expect their food to meet municipal, provincial and federal safety standards and will want to know that you are inspected by a third party. Many institutional foodservice providers, especially those in healthcare or run by contract caterers, prefer their suppliers to have HACCP certification or to follow HACCP protocols.

Distribution & Market Access

Most facilities rely on their distributors to make regular 'just-in-time' deliveries. Having fewer distributors also greatly simplifies the need to coordinate deliveries. After deciding to purchase a new processed food or beverage product outside of contract, most BPS institutions will ask that the processor have their product carried by their distributor. If the facility uses a GPO, processors may be asked to bid on the next contract with the GPO. If the facility uses a contracted caterer, the processor will need to work with the caterer to get on an approved vendor list.

One of the easiest ways to get listed with a distributor is to get a BPS facility to ask for your product. BPS institutions are important customers for distributors, who will strive to keep their clients happy.

An Ontario school board wanted a tofu product made by Sol Cuisine, a processor of Ontario soy products, and requested that its contract caterer, Chartwells, purchase the product. Sales volumes did not reach the distributor's quota for the preferred list, meaning time-consuming custom orders would need to be made by foodservice staff in each cafeteria. Sol Cuisine stepped in to liaison between the distributor and Chartwells. Processors can help to reduce barriers in the distribution chain as a way to help increase sales.



Key Purchasing Criteria of the Ontario BPS *con't*

Nutrition

Nutritional requirements are an important factor for food procurement in schools and healthcare. In healthcare, dietitians plan menus that balance a variety of nutritional factors. These menus can differ greatly from facility to facility. Food and beverage processors will have improved success at supplying healthcare facilities if they collaborate with the facilities to address their nutritional requirements.

Signature Culinary Solutions collaborated with a healthcare facility in Halton to provide pre-made sandwiches that meet the facility's nutritional requirements. The sandwiches include Ontario fillings and have nutritional profiles that will interest other Ontario healthcare facilities.

One LTC facility makes most of its entrées in-house, but it would take too long to process recipe inputs 'from scratch'. The facility purchases more than 80% of its vegetables frozen and pre-cut from an Ontario processor. This processor was made available through the facility's distributor, Sysco, which now identifies Ontario-originating options for its clients.

Saving Time & Labour Dollars

Many BPS institutions are limited in their ability to create foods from scratch. Universities and colleges often have unskilled (sometimes student) kitchen labour, leading to a need for prepared recipe inputs such as sauces and dessert fillings. In general, peeling and chopping vegetables or doing other processing 'from scratch' can take extra labour hours or additional staff, making it more economical to purchase pre-processed food. Processed inputs typically take up less storage space than unprocessed ones, and can also make recipe planning easier and more predictable due to consistent quantities of useable, quality product.

Unique & Custom Foods

Certain food items can be difficult to prepare without specialized equipment or knowledgeable labour.

One university has the in-house equipment and expertise to process most of its own foods and recipe inputs from scratch. However, some baked goods, desserts and unique food items, such as samosas, would be impossible to cost-effectively produce on campus. Working with local processors allows the university to respond to student demand with fresh, high-quality baked and specialty foods, without needing additional equipment and labour.

BPS institutions, especially those in healthcare, may have very specific needs. Processors have a good chance at success if they can work with prospective BPS clients to customize products.

An Ontario meat processor bid on a healthcare GPO's food contract in 2011, but was unsuccessful because certain nutritional requirements were not met. The processor requested a debrief to find out why they weren't successful. With the GPO's feedback in mind, the processor came back two years later with exactly what the GPO was looking for and was able to secure the contract.

Local (Ontario) Food

Providing local, Ontario food has become one way for university and college foodservices to differentiate themselves from competing fast food outlets and restaurants. The Local Food Act will also lead to more demand for Ontario food in the BPS, as it gives the Ministry of Agriculture, Food and Rural Affairs the ability to establish goals and targets to encourage increased use of local food in Ontario's BPS institutions. In the case of the Local Food Act, a processed food is "local" if it was processed in Ontario and contains at least one Ontario food input. If you want to use the Foodland Ontario brand, you will need to use their definition of local: the agricultural ingredients must come from Ontario and more than 80 percent of the total direct costs of production must return to Ontario.

Accessing the BPS

Every customer, whether they are part of the BPS or not, has unique needs. Your product might be just the thing that BPS institutions are looking for, and many Ontario processors have successfully connected their products with BPS foodservices operators. These connections always begin in the same way – with a conversation.

- **Find a contact.** Look up the institution's foodservices or hospitality manager. You might also try contacting the GPO or contract caterer (i.e. the person in charge of special orders), but the staff in charge of delivering foodservices should know who you need to speak to.
- **Start a conversation.** Ask questions. Pay attention to their needs. Some suggestions:
 - What do they need in a food product? What are their big food problems?
 - If they make fresh food, ask for their recipes and demonstrate that your product is an excellent substitute for one or more ingredients.
 - Take full advantage of being near your clients by giving them face-to-face time. Invite them to your facility, show them your food safety measures and give them samples.
- **Convince the client** to ask for your product. They may purchase directly from you, but will more likely recommend you work with their GPO, contract caterer or distributor to supply your product. These companies will have their own requirements for ensuring quality, quantity and coordinating distribution.
- **Ask for feedback.** If you bid on a BPS request-for-proposal (RFP) and are unsuccessful, you have the right to ask, "why?". Bidding on RFPs can therefore be a valuable learning experience. It also helps to make sure your clients remain satisfied as you provide them with your product – follow up!



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