

Public Procurement of Organic Products

Pacific Organic Policy Toolkit
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Political justification

The catering sector represents an important part, and in many parts of the world an increasing part, of the food sector. For example, the catering sector in the Nordic countries accounts for one-third of the total food consumption. Of this, public catering that is managed by the public sector (government institutions, municipalities, etc.) is a significant part. For example, in the UK in 2007, the public sector provided approximately 1.8 billion meals every year, accounting for 7% of the entire UK catering sector. Public catering includes canteens of schools, hospitals, care homes, universities, prisons, armed forces and canteens in government buildings. As the general demand for organic food increases, so does the demand for an offer of organic food in such canteens. It can include institutions in all levels of governments from local to national.

Aside from fulfilling the demand of canteen users, and contributing to the growth of the organic sector by developing a strong demand factor for organic products, there are many reasons why offering organic products in public canteens is a powerful instrument for change towards sustainable organic food systems:

- | It is one of the most effective ways to raise awareness about organic food consumption and even to make it “fashionable”. Public procurement has a strong symbolic impact in influencing the increase in the consumption of organic products, and it can easily be combined with educational activities around the benefits of organic food, tasting events, nutrition advice, etc.
- | It provides access to nutritious and safe organic food to a very broad public, including children from poorer households, or un-educated ones who otherwise be unlikely to fall in the consumer group for organic products. It therefore contributes to reducing food and nutrition inequalities in the society.
- | Government and public institutions, which serve the public good, have a moral responsibility to promote an ethic of care for their communities and the environment, and therefore not to look at the absolute cost of food ingredients but to look instead at the “true cost” of food and to make choices that maximize societal welfare. Unlike individual consumers for whom the “free-rider” effect applies when choosing to purchase or not to purchase environmentally-friendly products, public institutions can and should adopt a more comprehensive approach in purchase decision-making, recognizing and emphasizing the cross cutting, multifunctional nature of public food systems and their capacity to deliver socio-economic and environmental benefits.

There are very real economic and budgetary benefits of developing organic food procurement in a given territory when it is associated with an effort to source products locally. A large buyer, or collection of buyers, can have great economic benefits to local and regional communities through the market that the buyers

provide. The benefits are generation of local economic activity and employment (in farming, processing, logistics, etc), but also environmental services such as water quality, etc. For example, the town of East Ayrshire, in Scotland, calculated that it achieved a Social Return on Investment Index of above 7 Euros, meaning that for every 1.17 Euros invested in sustainable school meals (that included organic and local products) the county is producing an investment worth of 7 Euros in environmental and socio-economic benefits. Of course, there must be sufficient supply for these large buyers to affect the program, which will be discussed under potential pitfalls and challenges.

Suitable contexts

Stage of sector development: At very early stages of development, it will not be feasible to pass (or implement) regional or national policies regarding organic public procurement, as not enough organic products are available. However, it may be feasible on a very small scale, e.g. municipality school level and limited number of food items. If the country is essentially an importing country for organic products, e.g. New Caledonia, public procurement as a major area of policy intervention is possible, but it may be more difficult to get political support, since it will not easily be linked to territorial development.

Regulatory context: Actions for organic public procurement can take place regardless of the organic regulatory context, as individual canteens can set-up their own criteria for identifying credible organic products. However, it will be easier in a regulated context or a context with an officially referenced organic guarantee system.

Culture of government intervention: Organic public procurement is feasible and appropriate under any culture of government intervention on the agricultural sector, but is more strongly rationalized where there is a strong culture of government intervention in agriculture markets.

Policy Objectives: Public procurement does not serve all objectives for policy support to organic. It matches well with the objectives of encouraging the production of positive externalities (social and environmental benefits), and wanting to increase access to healthy food for all citizens. It doesn't serve the purposes of wanting to build the organic sector to earn foreign currency, nor the objective of wanting to increase domestic self-sufficiency in the organic sector.

Possible modalities of implementation

To achieve success it is important to take an incremental approach to the procurement process, and to monitor and evaluate in each increment. These strategic actions often start with school meal services. In cases where the organic sector is newly emerging, it may start with pilot projects for purchase of just one

food item in one or several schools in a district. From the outset the level of supply must be ensured to consistently meet the level of demand. In the planning it is useful to set some quantitative goals and develop means of monitoring progress towards them.

National governments may pass advisory legislation to signal municipal governments to start an organic procurement project. Successful projects may then turn into programmes which then can be expanded over time. Italy used such an approach. In 1999, a national law (Finance Law 488) created a regulatory context that encouraged many municipalities to turn to organic food. This and related regulation and related ones have resulted in an impressive 40% (by weight) of school food being organic nationally in 2010.

Potential Challenges and Pitfalls

Experience shows that the catering market differs very much from the retail market and that there are many obstacles that have to be overcome in order to make organic foods flow easily through the catering chain. For catering, barriers are in finding new suppliers, finding the right products, finding products with the desired convenience level, establishing reliable deliveries, the right packaging sizes and to bring about the organisational change that is needed if a catering organisation is to go organic. Most of the foods in catering are delivered according to a purchasing agreement. There is a need to find out how organic foods can fit into those agreements. Furthermore the requirements and conditions are different in different countries. Decision makers in public institutions change: it is a big challenge not to lose momentum and to re-establish the importance of the programme.

Cost is obviously a main challenge. However, the cost of ingredients represents on average only around 25% of the total cost of a meal in public catering. Moreover, several characteristics of organic products lead to savings (in particular, certain fruits and vegetables do not need to be peeled, cereals and meat are more nutritive than their conventional counterparts and therefore portions can be reduced. A typical and successful tactic to avoid increasing purchasing budgets is the rebalancing of meals with more vegetal proteins and less animal proteins. All of these potential tactics require investigation, calculation, and cooperation among agency administrators, nutritionists and food service professionals and workers.

Countries Examples

Finland: "Steps-to-Organic" is technical support for both public and private institutional kitchens. A six-step program to increase use of organic products, anchored by education/coaching on acquiring and working with them, and topped by a recognition program for progressing through the steps to high percentage of organic products used. The program has been funded by Agricultural Ministry since 2002 and implemented by EkoCentria (NGO).

Denmark: In Denmark, substantial efforts have also been done at the national government level to promote organic procurement. € 8 million is allocated (under the 2015 organic action plan) for the period 2015-2018 for assistance to public kitchens to significantly increase their use of organic raw materials. Additionally, the government offers advice to public institutions wishing to change their kitchens to be organic. An additional € 3 million is designated to support other public purchases of organic products. The Ministry of Defence has a pilot project to purchase organic products, and the Ministry of Health promotes organic procurement by hospitals.

Brazil: In Latin America, Brazil launched the Food Acquisition Program (PAA) in 2003 at the national level, which supported the purchase of diverse, locally produced food from family agriculture and preferably from sustainable systems and mostly helping small organic farmers gain market access for their products. In 2009, the National School Feeding Program (PNAE) set an objective to purchase at least 30% of the products for school meals from local family farmers, prioritizing organic foods. It also required that organic products be purchased from farmers at a 30% price premium. The program feeds 47 million students each day in Brazilian public schools. In 10 years, more than 3 million tonnes of food from over 200,000 family farmers have been purchased. The annual budget was around €1. 6 billion in 2013. These programs have not only provided strong incentives for conversion to organic, but also provided universal access of organic food which was beforehand only affordable for an elite population.

Andalusia Region, Spain: The region of Andalusia in Spain has developed a program entitled “Organic foods for social consumption” as one of the main actions of the Andalusian First Organic Action Plan. The program is a result of an agreement among five different Regional Government Departments (Agriculture, Environment, Equality, Social Welfare and Health). It started in 2005 in school canteens providing organic food to around 3,000 students, involving four organic farmers’ groups supplying local canteens of 16 elementary schools, five nursery schools and one home for the elderly. In 2007 the Programme involved 56 schools with 7,400 students with a turnover of € 208,000. The program supports the creation of new farm businesses and cooperatives of organic farmers from different parts of Andalusia so that, together, they can offer a broad diversity of organic foods to schools and other public canteens.