

After spending the past 2 years working on developing and implementing a County-wide farm-to-school program in La Crosse County, I feel I can now say what is, and isn't, working as far as bringing healthy, fresh, Wisconsin produce to our children through the National School Lunch Program at their schools.

Talk to anyone -- parents, teacher, administrators, elected officials, food service staff -- and you will hear basically the same thing: school lunches need help. Some people think they are too full of heavily processed foods, some that they don't have enough fresh fruits and vegetables, others bemoan the minuscule federal reimbursement rates. With the recent changes brought about through First Lady Michelle Obama's Let's Move initiative, there is now debate over whether calorie restrictions have gone too far. Whatever your opinion of school lunches, it is almost guaranteed that you are in favor of schools serving more locally-produced items -- of so-called farm-to-school programs.

Like many things, though, improving school lunches boils down to simple economics -- food service staff are required to serve meals that meet rigorous nutritional standards for somewhere around \$1 per meal, ingredients cost. Fresh foods cost more, unprocessed foods cost more (sometimes for the foods themselves, and sometimes due to the extra labor required to turn them into a meal), and locally-produced foods cost more. That's a triple whammy for farm-to-school programs, and very little is being done to address these higher costs. That's unfortunate, because a large part of the higher costs associated with local products can be eliminated with a little organizational savvy, turning farm-to-school from something that kids currently experience once or twice a month into something they can experience every school day, and from something that is an unprofitable (although rewarding) headache for Wisconsin farmers into something that can diversify their bottom line and create a reliable profit stream throughout the lean fall and winter months.

In order to understand how this is possible, I need to describe how farm-to-school programs currently work, and exactly how they are unnecessarily complex, inefficient, and (most importantly) over-priced. Since it is nearing Halloween, I'll use pumpkin to illustrate these points, but they hold for basically every other product you can think of.

Right now, a school food service director -- like Mike Gasper in the Holmen School District -- interested in serving locally-grown roasted pumpkin as part of their farm-to-school program would contact a farm -- like Keewaydin Farms in Viola -- and arrange to purchase one thousand pounds of sugar pie pumpkins for delivery -- enough for 4,700 1/4-cup servings. Mike could simply buy canned pumpkin from his food service distributor, but then he wouldn't be able to serve "Chef Thomas' Roasted Keewaydin Farms Pumpkin" to his students -- infinitely more delicious than canned pumpkin puree. Plus, it would be served to the students by Rufus Hauke (the owner of Keewaydin Farms) making for a pretty cool "here, try this -- I grew it" moment on the lunch line. The point of farm-to-school programs is that when all these things come together -- higher-quality products, with better flavor and nutritional profile, made from scratch by people who care about how kids eat, and 'branded' to the students in a way that makes eating them seem cool, the kids are much more likely to actually eat the food -- in this case roasted pumpkin -- and develop life-long healthy eating habits. The payoff is obvious: higher quality of life and lower health care costs.

But -- and there is a big but -- canned pumpkin puree costs Mike 7 cents per 1/4-cup serving, with essentially zero additional labor costs to serve. "Chef Thomas' Roasted Keewaydin Farms Pumpkin" costs 10.6 cents per 1/4-cup serving, with an additional 10.6 cents of labor costs involved in peeling, cleaning, cubing, and roasting it. That means for Mike to serve "Chef Thomas' Roasted Keewaydin Farms Pumpkin" (which the kids love), instead of canned pumpkin puree (which they don't) he has to spend just over three times as much per serving. 14.2 cents might not seem like a big deal, but when you serve 5,000 meals a day (as Mike does), it adds up. Mike is a clever-enough manager to reduce his costs elsewhere to make up for the increased costs once or twice a month, but there is no way he could do it everyday.

So then... Why exactly does the roasted pumpkin from Keewaydin Farms cost Mike 21.2 cents to serve? First, there is the cost of the raw pumpkin itself. When Rufus sells that same pumpkin at a farmers' market or to a co-op grocery store or restaurant, he charges 50 cents per pound. Why? Because that is what the market will bear, and because it covers his production, labor, and delivery costs. Rufus harvests and sells 5,000 lbs of pumpkins every fall, for which he earns \$2,500, out of which he must pay for his seed, fuel, labor, vehicle depreciation, etc., etc. He might end up earning \$125 in net profit after all is said and done. But Rufus only *harvests* 5,000 lbs of pumpkin -- he actually grows more like 10,000 lbs. The remaining 5,000 lbs that he doesn't harvest is either not fit for human consumption (i.e., rotten), too ugly to sell, or simply lacks a buyer. It's true that, by discing it under at the end of his season, he earns a small amount in fertility that is returned to his soil, but some significant portion of those 5,000 lbs of unharvested pumpkins -- let's say around 4,000 lbs that are simply ugly or lack a buyer -- represent a lost opportunity for Rufus. The problem is that Rufus doesn't know how much they actually cost him to grow, harvest, and pack. In other words, he doesn't know his marginal costs. "How could he not know this?" you might be tempted to ask. Remember, though, Rufus lacks an advanced degree in agricultural economics, and (more importantly) spends nearly all his time simply keeping up with the demands of his farm, serving his current customers who depend on him to deliver the highest quality, freshest, most delicious produce imaginable.

Let's say though, hypothetically, that Rufus could figure out what his marginal costs were to harvest and pack those 4,000 lbs of pumpkins (not a difficult task for a graduate student in agricultural economics at UW-Madison, for example,) and let's say that figure is 19 cents per pound. That means Rufus can sell them for 20 cents per pound and still earn a small profit of 1 cent per pound. If he does this, he has just turned 4,000 lbs of garbage into \$40 of net profit. That doesn't sound like much, but remember, he's only making \$125 off the first 5,000 lbs he sells, so he's effectively increased his net profits by 32%, which is nothing to sneeze at.

Plus, now Mike (remember Mike -- at Holmen School District?) can reduce his per-serving cost for "Chef Thomas' Roasted Keewaydin Farms Pumpkin" from 20.5 cents to 14.9 cents because he is paying 20 cents per pound instead of 50 cents per pound for the raw pumpkin. Now his costs are only slightly more than double compared with the canned puree. Better, but still too expensive to do on a day-to-day basis.

What about Mike's labor costs? His staff earns around \$20/hr, once you factor in benefits. A typical food processing facility could do the same thing that Mike's staff has to -- peel, clean and cube the pumpkin -- for a labor rate of closer to \$10/hr. For Mike, that means another 5.3 cents savings per serving, bringing his cost to within striking distance of the canned puree -- 9.6 cents

vs. 7 cents, or 37% higher. That's doable, even on an everyday basis.

Why? First because Mike's participation rate will probably go up because some higher-income parents will decide that they want their kid eating a school lunch instead of the Lunchables(tm) they are currently bringing from home. That means that Mike's per-meal costs actually go down slightly, because it costs roughly the same to prepare 5,500 meals as 5,000, but he gets the \$1,100 or so in added revenue from the new participants. Also, since the kids are more likely to actually eat the food Mike serves, there is less waste, so Mike can do a better job of purchasing only what he needs to serve, instead of extra this or that to make up for the fact that some kids don't like canned green beans or frozen peas or baked french fries or whatever. Lastly, there is a pretty enormous economic stimulus effect for rural Wisconsin -- for farms like Rufus' that are now seeing their net profits go up by 25-30% and for small-scale processing facilities that can employ people to slice and dice Wisconsin-grown produce. That stimulus effect *should* make it likely that the State decides to kick in a little extra subsidy to people like Mike when they buy from farmers like Rufus.

If the State offered as little as an additional 3 cents per meal subsidy, then Mike might -- just might -- see his costs go down slightly. A 3-cent per meal subsidy when Mike's costs are 14.2 cents per meal higher doesn't really do Mike much good; he still has costs that are too high to maintain on a regular basis. But a 3-cent per meal subsidy when absolutely everything else is as efficient and inexpensive as possible (while still being marginally profitable for farmers like Rufus)? That's a pretty big deal.

So what do we need to do to make this possible? First, someone needs to figure out those marginal costs for farmers like Rufus -- and not just for pumpkin, but for everything he grows. That way, he can feel confident that, when he harvests and sells all his 'garbage' at a discounted rate to schools -- because it's what he wants to do, it being the right thing to do after all -- that he isn't going to lose his farm doing it. Next, someone needs to figure out a way to get the produce from Rufus' farm (and others like it) to central processing facilities where they can be processed efficiently and safely. In addition to being a logistical challenge, it is also one of ownership -- who will actually "own" the product between the time it leaves Rufus' farm and the time it is ready for people like Mike to buy it? Who takes liability for it? Right now, there is basically no one to do this, mainly because there is absolutely no profit to be made in doing it (see above discussion of the importance of 9.6 vs 14.9 cents per serving). Lastly, there needs to be an easy, efficient ordering, delivery, and billing system put in place to facilitate it all.

Is this possible? Yes. How do I know? Because I did it. I quit my government job as "farm-to-school coordinator" and started, with my own money, a business to buy bulk, reduced-price produce from Rufus, have it pre-processed, then sold and distributed to Mike. But now, I have to quit again? Why? Because there is no profit in it. Let me say that again: **THERE IS NO PROFIT IN IT.** And you know something? There shouldn't be. I'm more than happy to help facilitate all this so that people like Mike can serve healthy, fresh, delicious produce grown by Wisconsin farmers like Rufus -- it is a rewarding endeavor, and one that I am proud to say I've done. But it is not something that I can (or should) make money doing -- apart from a modest, reasonable wage. It certainly isn't something that I (or people like me, or people like Rufus for that matter) should be expected to risk their livelihoods in order to accomplish.

Selling fresh produce to schools so kids can eat fresh, healthy, tasty food is not a big money making opportunity -- it is hard, annoying, risky, work that happens on razor thin profit margins. Companies that do this -- like Sysco and Reinhart -- make up for low margins on volume, and by offsetting losses on certain items by carrying a much wider variety of products, many with higher profit margins. So, while schools need all the help they can get, a small per-meal subsidy from the state to support local purchases isn't really going to make much of an impact unless the products themselves are already as available and affordable as possible. Right now, unfortunately, they aren't.

Whether it is the public sector -- agencies like DATCP or the Commerce Dept. or the Dept. of Public Instruction -- or the private sector -- non-profits and business groups -- someone is going to have to step up to the plate and dedicate the resources necessary to make this happen. That is, if we actually want it to happen -- 'it' being farm-to-school programs that are more than window dressing, both for kids and Wisconsin farmers. Otherwise, we can keep doing what we are doing: feeling good about ourselves, but not accomplishing nearly as much as we could be with a little ingenuity and commitment.