

UK Dining Sourcing Report

Fiscal Year 2017

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Contents

INTRODUCTION2

OBJECTIVES2

 Discussion of the Revised UK Dining
 Contract Key Performance Indicators 3

METHODOLOGY4

FINDINGS.5

 Reclassified Expenditures 8

CONCLUSION 8

Attachment 19

Complete Classification of UK Dining
Purchases by Kentucky Farm and Vendor Source

Attachment 2 10

Complete List of UK Dining
Vendors by Classification

INTRODUCTION

This report contains the third annual assessment of Kentucky Proud and local food procurement by UK Dining (Aramark) and covers the 2017 fiscal year (July 1, 2016 to June 30, 2017). Major revisions to the key performance indicators of the Dining Contract relative to Kentucky Farm and Food Business Impact (KFFBI) purchases (previously Kentucky Proud and local purchases) established minimum benchmarks for farm impact purchases and enacted stricter requirements for qualifying purchases relative to Kentucky business impact. Mid-year changes to the contract coupled with changes in sourcing lead to evolution in reporting, monitoring, and classification procedures. Reported Kentucky Food and Farm Business purchases exceed required financial benchmarks for FY17.

OBJECTIVES

Our analysis provides item level assessment of how UK Dining meets its annual Kentucky Farm and Food Business Impact purchasing requirements (referred to as key performance indicators or KPIs). As stated in previous reports, our goal is the development of a replicable metric and methodology that fairly represents the relative impact of food purchases on 1) the Kentucky food economy (using business ownership and activities as a proxy) and, in particular, 2) Kentucky farms (using approximated percentages of Kentucky-sourced ingredients as a proxy).

We do not attempt to evaluate, nor should our results be assumed to represent, food characteristics such as environmental impact, fair labor practices, sustainability of production methods, or consumer health. Because of the complex nature of supply chains involved in large institutional dining, our analysis cannot be used to accurately assess the ultimate financial impact of these purchases on the businesses and farms involved. This methodology does not enable quantitative determination of economic impact on farm or food business, nor does it directly measure health or sustainability outcomes. However, by focusing on item level classification of impact on Kentucky farms and Kentucky business ownership, this methodology

facilitates a greater level of transparency than local food definitions or metrics based solely on business location. Identifying vendors and cataloguing the products is an essential first step to address these and other values-based questions about our food.

One measure of the impact of these analyses was the renegotiation of the dining contract’s Key Performance Indicators (KPIs) for local food purchases. Discussion of the previous and current KPIs is included later in this report. Final approval and adoption of the revised contract occurred in January of the fiscal year (2017), leading to complications of reporting classification relative to a mid-year change in KPI metrics. These two-tier KPIs adopt and integrate the metrics tracked and reported in The Food Connection’s previous annual assessment (Brislen and Smith 2016; Brislen, Smith and Stancil 2015), and are discussed in detail in the following section.

Discussion of the Revised UK Dining Contract Key Performance Indicators

Our data set for this assessment consists of all Kentucky Farm and Food Business Impact food and beverage purchases reported to the University of Kentucky by UK Dining (Aramark) as defined and required as KPIs in the revised dining service contract. In developing our metrics, we considered the role and interests of the University of Kentucky as a land-grant institution of our Commonwealth. Our goal was to reflect the relative potential impact of each vendor and food item on our Commonwealth’s food and farm economy.

Renegotiation of the contract was conducted by representatives from University of Kentucky administration and Aramark. Staff of The Food Connection were consulted for preliminary recommendations on benchmark purchasing data but were not directly involved in any of the negotiation process. The commitments and annual increase of commitment is included in Table 1. Kentucky Farm and Food Business Impact is the sum total of all individual items purchased and classified within these metrics, with farm impact purchases as a subset of that total.

Table 1. Revised UK Dining Contract KPI Benchmarks

	FY17 Commitment	Annual Increase against FY17 Benchmark
Total Kentucky Farm and Food Business Impact	\$1,648,193	5%
Minimum Portion Kentucky Farm Impact	\$652,997	3%

Additionally, the revised contract stipulates the following overall increase of Kentucky Farm and Food Business Impact (KYFFBI) purchases relative to the total food purchases by UK Dining as follows: “By the 2023-2024 Contract Year, total Kentucky Farm Impact and Kentucky Food Business Impact purchases shall be at least Twenty Percent (20%) of Dining Partner’s food and beverage purchases for that Contract Year and each future Contract Year.”

The FY17 commitment and benchmark was determined via an assessment of The Food Connection’s analysis of FY16 purchases that conformed to the new Kentucky Farm and Food Business Impact KPIs. This resulted in the removal of any distributed or non-value-added products including non-Kentucky soft drink companies, ice, and redistributed foods such as ice cream and juice concentrates. Calculation of the revised KPIs is consistent with The Food Connection’s methodology of item-level assessment and analysis.

While the KYFFB Impact metrics are not directly tied to the Kentucky Proud program, a key caveat in the revised contract is that “The Food Connection will utilize a combination of Kentucky Proud and Kentucky Proud Restaurant Rewards participation, and independent verification methodologies...” in our assessment and classification of items. Thus the Kentucky Proud program, and the Restaurant Rewards program in particular (now called the Buy Local program), remain a key component of our classification methodology.

Table 2. Kentucky Farm and Food Business KPI definitions

KENTUCKY FARM AND FOOD BUSINESS IMPACT (KYFFBI) DEFINITIONS	
Kentucky Farm Impact	
Majority or Direct Kentucky Farm Source	The food product or the primary ingredient is sourced exclusively or predominantly (>50%) from Kentucky farms. For this category, specific farm sources can be identified, though they may be comingled.
Mixed or Indirect Kentucky Farm Source	It can be reasonably concluded that >10% and < 50% of the principle ingredient or total ingredients of the food was/were sourced from Kentucky farms. For this category, specific farm sources are not tracked and cannot be identified.
Kentucky Food Business Impact	
Kentucky Food Business/Entrepreneur	Vendor of the product is a food grower, processor or value-adding enterprise operating primarily in Kentucky, and the owner or the majority of the owners of the enterprise is/are Kentucky residents.
Kentucky-Located Food Processor	The food processor adds significant value to the food product through Kentucky operations, beyond aggregation, transportation or distribution, but the food processor is not owned or controlled by Kentucky residents.

METHODOLOGY

In order to facilitate The Food Connection’s role in providing accurate and timely classification of those purchases, we developed a database. Working from past fiscal year data our graduate assistant Jessica Breen designed and constructed a SQL database that applies Kentucky Farm Impact and Kentucky Business Impact classifications to known items, identifies new items in need of classification, and provides both monthly and year-to-date analyses of purchases. Final year-end analyses (e.g. total purchases by category, vendor classifications, and product classifications) were reviewed and verified by the authors.

UK Dining (Aramark) sources through two primary distributors, Piazza and Sysco. However, a significant fraction of KPI-qualified purchases are now being acquired directly from Kentucky-based vendors. For our analysis, we reviewed procurement records (drawn from invoices and other purchasing records) from the two primary distributors and purchases made directly by UK Dining (Aramark) from vendors. This data includes the names of vendors from which distributors sourced, the items purchased from each vendor, and the total dollar value spent by UK Dining (Aramark) on each item over the course of the fiscal year.

Consistent with the report from last fiscal year, the data presented here is analyzed at the item level, meaning the categorization of business and farm impact is made for each individual item purchased from any given vendor. This method is key to our assessment, as some food businesses engage in a mixture of both in-state processing and redistribution of products manufactured out of state. For such cases we included expenditures on in-state processed items in the Kentucky-located processor category, and expenditures on redistributed products in the Distributor category (and thus are not qualified to count towards the total Kentucky Farm and Food Business Impact KPI). In this way our method departs from Kentucky Proud classification, which occurs at the vendor level.

As an addition to the methodology, and as a means to better understand exactly what kinds of Kentucky foods are sourced, we further classify data based on broad food-type categories detailed in Table 3.

Table 3. Product Type Classifications

CATEGORY	DESCRIPTION
Dairy	Fluid milk (all kinds), cheese; excluding ice cream
Value-added	Value-added and processed foods: soups, syrups, sauces, jams, ice cream, coffee, candy, juices, granola, salsa, popcorn
Meats and proteins	Raw or processed meats: beef, pork, sausages, eggs, chicken; including sausages, pre-formed patties, and breaded cutlets
Baked goods and grains	Cupcakes, cookies, bread, pasta, baking mixes, flour
Produce	Fruits and vegetables, fresh or minimally processed (chopped and frozen)

FINDINGS

Results of our assessment and classification of foods reported for fulfillment of Kentucky Farm and Food Business Impact (KYFFBI) by UK Dining (Aramark) are presented in Figure 1, and a detailed breakdown is shown in Table 4. A complete list of vendors by classification is provided in Attachment 2.

Of all KYFFBI purchases, 57% (\$972,512) were from Kentucky-owned businesses and 20% (\$343,849) were through Kentucky-located processors. Products with at least some farm impact totaled \$752,483, which constitutes 44% of the Kentucky Farm and Food Business Impact (KYFFB) purchases and an 18% increase over farm impact purchases relative to FY16 (\$634,017). Total purchases of majority farm impact items (\$517,622) decreased by 15% from FY16 (\$596,516)(see Table 5). Reclassified purchases constituted 22% (\$381,868) of Kentucky Farm and Food Business Impact purchases, which will be discussed later in this report.

Products with some farm impact were sourced from five vendors and totaled \$234,861 or 14% of the total KYFFBI purchases including primarily sausage products and canola oil as seen in previous years. Kentucky business impact purchases represent an additional \$563,879. These items have no Kentucky farm impact but are either manufactured by a Kentucky owned and operated business or by a non-Kentucky-owned processor

located within the state. The largest expenditure in this category was coffee, with other items including jams and confections, soups and sauces, baked goods, and processed meats.

Assessment of the breakdown of KYFFBI purchases by product type is summarized in Table 6. The largest category of expenditures was meat products (\$701,732) with \$259,602 of those expenditures having at least some farm impact. The largest majority farm impact expenditure was on dairy products with 62% of all farm impact dairy coming in the form of fluid milk. Produce constituted only 1% of KYFFBI purchases, and all of that expenditure (\$18,713) was direct farm sourcing.

Southern Belle Dairy (Kentucky-located processor) is by far the largest source of majority Kentucky farm impact products. It should be noted that milk from Southern Belle is also the primary farm impact ingredient source for a number of value-added products categorized as some farm impact. Other purchases with majority farm impact products include: hamburger patties with 75% Kentucky beef, precooked chicken breasts prepared at a co-packer and sourced from a Kentucky-located Pilgrim's Pride integrator, and cheeses made by a Lexington-based business with milk sourced from Prairie Farm (another Kentucky-located milk processor). A noteworthy addition this fiscal year was Crank and Boom ice cream, a Lexington-based business that sources their milk from a source-identified Kentucky dairy farm (JD's Country Milk). Fresh produce constituted a small percentage of farm impact products (2.5%).

The newly instituted Farm Impact KPI with benchmarks for products with at least some farm impact can be linked to some significant changes in purchasing. While existing processors of milk and chicken provide the foundation for UK dining's farm impact purchase, required increases in farm impact products has driven supply chain innovations. The predominant sourcing strategy for increasing farm impact purchasing appears to emphasize working with two Kentucky businesses, a meat packer and a co-packer, to source products meeting Aramark's recipe specifications. While these custom formulations include dairy and chicken sourced from the above-mentioned processors, new farm impact products are also available as a result of UK Dining's efforts.

Figure 1: Kentucky Farm and Business Impact Purchases FY17

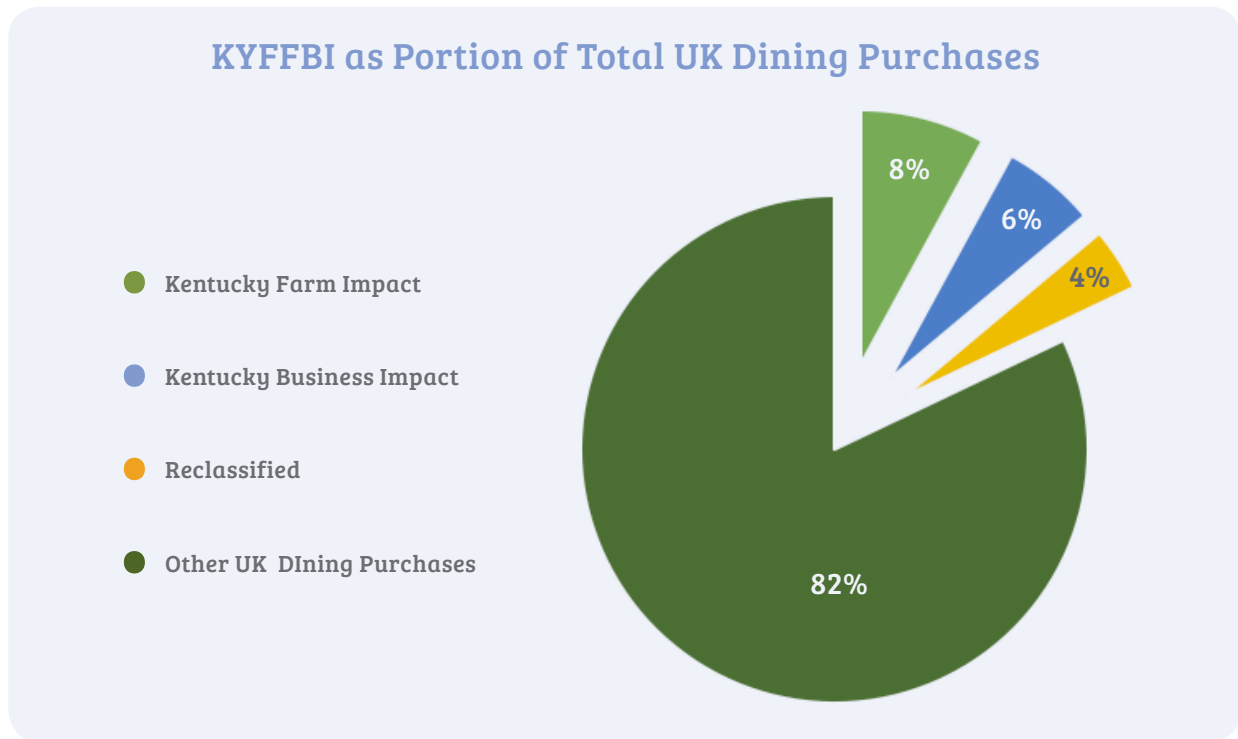


Table 4. Categorization of Kentucky Farm and Food Business Impact Purchases for FY17

Farm Impact	Business Type	Number of Vendors	Total Purchase	% KYFFBI Purchase	% FY17 total Dining Purchases
KENTUCKY FARM IMPACT					
Majority KY Farm	KY Business	25	\$268,964	16%	3%
Majority KY Farm	KY-Located Processor	3	\$248,658	14%	3%
Some KY Farm	KY Business	4	\$224,833	13%	2%
Some KY Farm	KY-Located Processor	1	\$10,028	1%	0.1%
Kentucky processor	Mixed	1	\$7,664	0%	0
KY Farm Impact FY17 Total		33	\$752,483	44%	
KY Farm Impact FY17 KPI Minimum			\$652,977		
KENTUCKY BUSINESS IMPACT					
No KY Farm Impact	KY Business	20	\$478,715	28%	5%
No KY Farm Impact	KY-Located Processor	5	\$85,164	5%	1%
KY Business Impact FY17 Total		25	\$563,879	33%	6%
DISTRIBUTOR/RECLASSIFIED					
No KY Farm Impact	Distributor	2	\$381,868	23%	4%
Total Reported KYFFBI Purchases		60	\$1,698,229	17%	\$9,473,543.97
Total Farm and Business Impact FY17 KPI Minimum			\$1,648,193		

New farm impact products include Kentucky raised and processed beef blended at 20% into hamburger patties and bulk ground beef for residential dining, and integration of Kentucky-sourced produce (squash and tomato puree) into soups and sauces. Development of these products created new connections within the regional value chain. Meaning, while the percentage

of farm impact of a number of products is modest (e.g. 20%), the supply and supply chain now exist to facilitate farm-impact products to meet institutional clients specifications. However, majority farm impact products from source-identified Kentucky farms (e.g. not comingled or integrated) remain a small portion of the farm impact products.

Table 5. Comparison of FY16 and FY17 Kentucky Farm and Food Business Impact Purchases

		2016			2017		
		Number of vendors	Total purchase	Percentage Kentucky Purchase	Number of vendors	Total purchase	Percentage Kentucky Purchase
KENTUCKY FARM IMPACT							
Majority KY Farm	KY Business	20	\$292,334	10%	25	\$268,964	16%
Majority KY Farm	KY-Located Processor	5	\$304,182	11%	3	\$248,658	14%
Some KY Farm	KY Business	3	\$37,501	1%	4	\$224,833	13%
Some KY Farm	KY-Located Processor				1	\$10,028	1%
KENTUCKY BUSINESS IMPACT							
No KY Farm Impact	KY Business	25	\$678,097	24%	20	\$478,715	28%
No KY Farm Impact	KY-Located Processor	6	\$257,593	9%	5	\$85,164	5%
DISTRIBUTOR/RECLASSIFIED		10	\$1,263,919	45%	2	\$381,868	23%
Totals		69	\$2,833,626		60	\$1,698,229	

Table 6. Fiscal Year 2017 Purchases by Product Type and Farm Source

Product type	FARM IMPACT			Total	% KYFFBI Purchases
	Majority	Some	None		
Produce	\$18,713	\$0	\$0	\$18,713	1%
Meat	\$95,440	\$164,162	\$442,130	\$701,732	41%
Dairy	\$377,817	\$280	\$33,645	\$411,742	24%
Baked Goods	\$9,447	\$0	\$126,976	\$136,423	8%
Value-Added	\$15,925	\$70,698	\$342,995	\$429,602	25%
TOTALS	\$513,414	\$235,141	\$945,730	\$1,698,229	

Reclassified Expenditures

During the fiscal year we determined that \$381,868 of UK Dining's food items purchased during FY17 did not meet the requirements for either farm impact or Kentucky business impact. In this report, these are referred to as "reclassified" expenditures. These purchases came from two established dining vendors, and all previous purchases from these vendors (FY15, FY16) classified as qualifying purchases. One of these vendors previously classified as a Kentucky-located processor was subsequently found to be processing out of state and not in Kentucky. The \$.38M reclassified in FY17 compares to more than \$1.2M FY16 purchases which would not qualify under the revised contract terms (See Table 5).

The second source is a Kentucky food business, which had supplied a limited number of Kentucky farm impact and business impact items in FY16. However, during FY17 many new items were acquired from this vendor, and total UK Dining expenditures with this vendor were significantly expanded. While this vendor continues to provide farm impact products and other in-house processed (and thus business impact) products, based on information received in May 2017 we determined that many of the new items were only resold and redistributed in Kentucky. Thus, expenditures for these items do not meet KYFFBI sourcing requirements established in the most recent terms of the agreement between UK and Aramark.

During FY16-17 a protocol was established to assure that UK Dining's initial classification of purchased items would be consistent with subsequent review by The Food Connection. This consistency was not achieved during the year. In FY18 this protocol should be fully implemented. The communication essential to this process can be substantially improved.

CONCLUSION

During FY17, the third year of the UK Dining contract, reported Kentucky Farm and Food Business Impact expenditures again met or exceeded the related key performance indicators. However, a significant fraction of the reported expenditures were reclassified late in the year. Reclassified items will not qualify in FY18. It is our hope that our continued efforts to develop reliable

and efficient systems for classification and tracking of farm and business impact of products will aid in greater transparency and understanding of our regional food system, and thereby promote the growth and resilience of our regional food economy.

Several significant changes for this year are summarized in this report, largely linked to revision of the sourcing terms of the UK Dining contract. While metrics and KPIs were initially designed for supplementary analysis of Kentucky Proud and 'local' purchases, these farm and food business impact metrics now provide explicit guidelines for qualifying purchases. Fiscal year 2018 will be the first full year of implementation of the revised contract KPIs, and we anticipate further evolution in the farm to campus value chain.

As discussed earlier, selection of farm impact products in the early years of the dining contract emphasized integration of co-mingled (non-source identified) ingredients from Kentucky-located processors (i.e. milk and chicken). These processors are part of national and international supply chains, and thus readily incorporated into the institutional dining procurement model.

The new requirement for farm impact products during this fiscal year led to custom product development by Kentucky businesses resulting in innovations in the Kentucky beef supply chain and a small increase in utilization of Kentucky-sourced produce (i.e. tomato puree) in value-added products. In future contract years, it is unclear whether required growth in farm impact purchases will come from integration of additional products from Kentucky-located processors or from further innovations in Kentucky farm- and food business-based supply chains and source-identified farm impact.

Attachment 1 Complete Definitions of Kentucky Food and Farm Business Impact Classifications

BUSINESS IMPACT	
Category	Definitions
Kentucky food business/entrepreneur	A food producer or farm that is privately held and majority owned by citizens of Kentucky, and operates primarily in Kentucky.
Kentucky-located food processor	An enterprise not classified here as a Kentucky Food Business, but which engages in significant food production or processing at a Kentucky facility. Only processors that are Kentucky Proud are included.
Kentucky distributor or not a food business	A vendor which in Kentucky primarily transports or repackages; a majority share of ownership is held by non-Kentucky residents.
FARM IMPACT	
Category	Definitions
Majority Kentucky farm source	The food product or the primary ingredient is sourced exclusively or predominantly (>50%) from Kentucky farms. Specific farm sources are or could be identified, though they may be comingled.
Some Kentucky farm source	It can be reasonably concluded that >10% of the food product or a majority fraction of a primary ingredient was sourced from Kentucky farms. In most examples, Kentucky and non-Kentucky farm products are comingled with no means to identify specific Kentucky farm sources.
No significant Kentucky farm source	There is no identifiable Kentucky farm source for ingredients, or the only significant potential Kentucky farm content is derived from nationally/ globally processed and comingled commodities (e.g. corn sweetener).

Attachment 2 Complete List of UK Dining Vendors by Classification

VENDOR	FARM IMPACT	BUSINESS IMPACT	PRODUCT TYPE
Adams Matthews	None	Kentucky Business	Baked goods
Ale 8 One Bottling Company	None	Kentucky Business	Value-added
Applecreek Specialty Foods	None	Kentucky Business	Value-added
Blm Coffee Enterprise Llc	None	Kentucky Business	Value-added
Boone Creek Creamery	Majority	Kentucky Business	Dairy
Borden Dairy Company	Majority	Processor	Dairy
Chelseys Eggs	Majority	Kentucky Business	Meat
Clems Refrigerated Foods	None, Some, Majority	Kentucky Business, Reclassified/Distributor	Value-added
Coremark	Majority	Processor	Dairy
Courtney Farms	Majority	Kentucky Business	Baked goods
Crank & Boom Craft Ice Cream	Majority	Kentucky Business	Dairy, value-added
Crigger Farms	Majority	Kentucky Business	Produce
Custom Food Solutions Llc	None, Some, Majority	Kentucky Business	Value-added
Dees Gourmet Nutz	None	Kentucky Business	Value-added
Donut Days Bakery	None	Kentucky Business	Baked goods
Evans Orchard	Majority	Kentucky Business	Produce
Fayette Co. Creamery	None	Kentucky Business	Value-added
Fb Purnell Sausage	Some	Kentucky Business	Meat
Fishmarket Seafood	None, Some	Kentucky Business	Meat, value-added
Flowers Foods	None	Processor	Baked goods
Gallrein Farms	Majority	Kentucky Business	Produce
Grateful Greens	Majority	Kentucky Business	Produce
Grow Farms	Majority	Kentucky Business	Produce
Happy As A Lark	None	Kentucky Business	Baked goods
Hart Agstrong Llc	Some	Processor	Value-added
Integri Tea	None	Kentucky Business	Value-added
Jareds Beef	Majority	Kentucky Business	Meat
John Conti Coffee Company	None	Kentucky Business	Value-added
Kennys Farmhouse Cheese	Majority	Kentucky Business	Dairy
Khi Food Inc	Majority	Kentucky Business	Value-added
Klostermans	None	Reclassified/Distributor	Baked goods
Ky Hydrofarm	Majority	Kentucky Business	Produce
Lees Garden Center	Majority	Kentucky Business	Produce
Lexington Pasta	None	Kentucky Business	Baked goods
Lincoln Co Coop	Majority	Kentucky Business	Produce
Lyons Magnus	None	Processor	Value-added

VENDOR	FARM IMPACT	BUSINESS IMPACT	PRODUCT TYPE
Marksbury Farm Foods Llc	Majority	Kentucky Business	Meat
Mulberry Farms Orchard	Majority	Kentucky Business	Produce
Old Kentucky Chocolates Llc	None	Kentucky Business	Value-added
Omni Custom Meats Inc	None	Kentucky Business	Meat
Preferred Popcorn	Majority	Processor	Value-added
Roby Farms	Majority	Kentucky Business	Produce
Safai Enterprises	None	Processor	Value-added
Soup Coop	None	Kentucky Business	Value-added
Southern Belle Dairy	Majority	Processor	Dairy
Specialty Foods Group Inc	None	Processor	Value-added
Stone Fall Farm	Majority	Kentucky Business	Meat
Sweetgrass Granola	Some	Kentucky Business	Value-added
Trifecta Sauce Co	None	Kentucky Business	Value-added
Uk South Farm	Majority	Kentucky Business	Produce
Weisenberger Mill	Majority	Kentucky Business	Value-added
Wildcat Creamery	None	Kentucky Business	Value-added
Weisenberger	Majority	Kentucky business	Baked goods
Wildcat Creamery	None	Kentucky business	Value-added