

UK Dining Sourcing Report

Fiscal Year 2016

Contributors:

Lilian Brislen

Scott Smith



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INTRODUCTION AND OBJECTIVES

This report contains the second annual assessment of Kentucky Proud and Local food procurement by UK Dining (Aramark), and covers the 2016 fiscal year. Our ultimate goal is the development of a replicable metric and methodology that fairly represent 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).

The UK Dining agreement requires annual reporting by Aramark of “Kentucky Proud” and “Local” expenditures. The former is a state branding program operated by the Kentucky Department of Agriculture; the latter is defined in the UK Dining contract as any product sourced from Fayette and the six adjoining Kentucky counties. Our objective is not to replace these designations, but rather to provide additional, replicable information about food sources.

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. However, identifying vendors and cataloguing what products are procured is an essential first step to address these and other values-based questions about our food.

METHODOLOGY

Our data set for this assessment consists of all Kentucky Proud and Local food and beverage purchases reported to the University of Kentucky by UK Dining (Aramark) as defined and required in the dining service contract. In developing our alternative evaluative metric, we considered the role and interests of the University of Kentucky as a land-grant institution of our Commonwealth. As such our goal was to apply an evaluative metric that reflects the potential relative impact of each vendor and food item on our Commonwealth’s food and farm economy.

UK Dining works primarily through two distributors, Piazza and Sysco, and purchases a limited number of items directly from vendors. For our analysis, we reviewed procurement records (drawn from invoices and other purchasing records) from UK Dining’s two primary distributors, and purchases made directly by UK Dining 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 Aramark on each item over the course of the fiscal year.

For our evaluation we classified vendor and item procurement data along two variable axes: vendor type and ingredient source. The variables and their three defining categories are summarized in Table 1 with a complete definition in Attachment 1. Our definitions for vendor type and ingredient source have not changed from the previous assessment and are presented in the chart on the next page.

Table 1. Definitions for Vendor Type and Ingredient Source Variables

VENDOR TYPE	
Category	Definition
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.
INGREDIENT SOURCE	
Category	Definition
Majority Kentucky farm source	The food product or the primary ingredient is sourced exclusively or predominantly (greater than 50%) from Kentucky farms. Specific farm sources are or could be identified, though they may be co-mingled.
Some Kentucky farm source	It can be reasonably concluded that greater than 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 co-mingled 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 co-mingled commodities (e.g. corn sweetener).

Building off the inaugural fiscal year 2015 report, this report refines the previous methodology by providing finer detailed analysis on a per item (rather than aggregate vendor) level. While the previous assessment assigned a single designation to a vendor, this year’s methodology ties the vendor designation to the specific item. For example, some processors engage in a mixture of both in-state processing and redistribution of products manufactured out of state; as such we included expenditures on in-state processed items in the Kentucky Processor category, and expenditures on redistributed products in the Distributor category. This year’s report thereby provides assessment of both business source and farm source at the per-item level (rather than aggregate classification), thus addressing one of the limitations of last year’s assessment.

As an addition to the methodology, and as a means to better understand exactly what kinds of Kentucky foods are sourced, we further classified data based on broad food-type categories (see Table 2).

Table 2. Definition of Categories for Product Type

Category	Definition
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 for categorization of UK Dining Kentucky Proud and Local purchases in the fiscal year 2016 are presented in Table 3 and Figure 1. A complete list of vendors by classification is provided as Attachment 2.

Purchases from vendors classified as Kentucky food businesses or entrepreneurs totaled \$1,007,932, which constitutes 36% of Kentucky Proud and Local food purchases, and 9.8% of the total food and beverage purchased for the year. The majority of expenditures in this vendor category are with those who use no identifiable Kentucky farm source; the two largest examples being locally roasted coffee and soups and sauces prepared by a Kentucky owned co-packer. Products made by Kentucky businesses with a majority of their ingredients sourced from Kentucky farms include cheese, fresh produce, and breaded chicken fingers.

Products were purchased from five different Kentucky located food processors. The vast majority of purchases in this category were dairy products sourced from processors owned and operated in a multistate region. Both processors typically source about 75% of the milk

content in products purchased from Kentucky farms. Other processors bake national brands of bread and rolls, a canola oil processor that specializes in non-GMO oil from Kentucky farms, and a regional popcorn company that offers a specific line of Kentucky farm-sourced products.

Products from ten vendors were classified as distributed, or products sourced from non-Kentucky based businesses with no major processing activities. This was the largest category, reported at \$1,263,919 or 12% of the total annual buy. Soft drink purchases from local distributors/bottlers dominated this category.

Our assessment of the types of products included in the Kentucky Proud and Local purchases is summarized below in Table 4. Value-added products constituted the majority of purchases. The largest expenditure on majority farm-sourced products was in dairy products (\$425,987), followed by meat (\$128,839). Produce constituted only 1% of Kentucky Proud and Local purchases, though virtually all of that expenditure was direct farm sourcing.

Table 3. Categorization of Sources of Kentucky Proud and Local Purchases by UK Dining, Fiscal Year 2016

Vendor type	Farm source	Number of vendors	Total expenditures	Percentage of Kentucky Proud and Local	Percentage of total fiscal year 2016 purchases
Kentucky business	Majority	20	\$292,276	10%	3%
Kentucky business	Mixed	3	\$37,501	1%	0%
Kentucky business	None	25	\$678,155	24%	7%
Processor	Majority	5	\$304,182	11%	3%
Processor	Mixed	0	-	0%	0%
Processor	None	6	\$257,593	9%	3%
Distributor	Majority	0	-	0%	0%
Distributor	Mixed	0	-	0%	0%
Distributor	None	10	\$1,263,919	45%	12%
Kentucky Proud and Local total			\$2,833,626		
Total fiscal year 2016 purchases for UK Dining			\$10,232,824		

Figure 1: Fiscal Year 2016 Kentucky Proud and Local Purchases

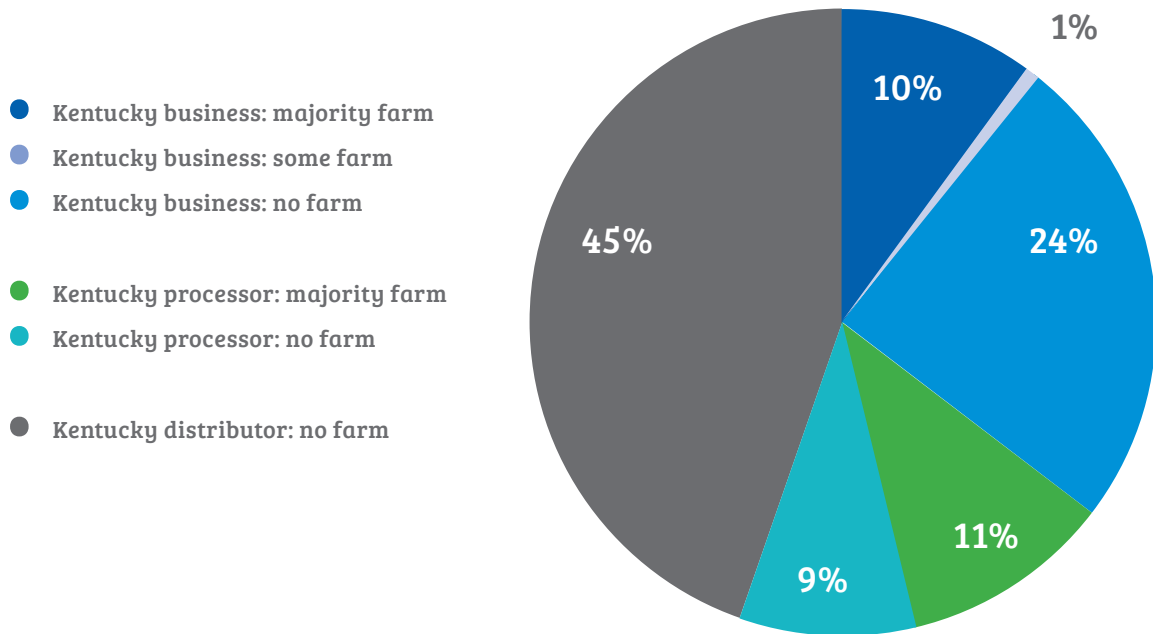


Table 4. Fiscal Year 2016 Kentucky Proud and Local Purchases by Product Type and Farm Source

Product type	Farm source			Total	Percentage
	Majority	Some	None		
Produce	\$14,557	—	\$263	\$14,821	1%
Baked goods	\$3,623	—	\$235,867	\$239,490	8%
Dairy	\$425,987	—	\$16,694	\$442,681	16%
Meat	\$128,839	\$1,413	\$387,071	\$527,323	19%
Value-added	\$23,452	\$26,088	\$1,559,772	\$1,609,312	57%
Kentucky Proud and Local purchases				\$2,833,626	

YEAR-TO-YEAR TRENDS

Comparisons of results for our sourcing analysis in 2015 with results in 2016 are presented in the table below. Purchases of Kentucky Proud and Local products increased significantly in 2016, associated primarily with increases in purchases from Kentucky food businesses, both with majority farm sourcing and no farm sourcing. Table 5 illustrates relative increases in farm source and vendor type for 2016 vs 2015.

Significant changes in purchasing are observed from Kentucky businesses with majority farm source (\$152,139 increase in spending) and with no farm source (\$290,667 increase in spending). These increases are primarily the result of the introduction of Kentucky processed chicken products, Kentucky manufactured soups and sauces, and the development of a Kentucky farm-sourced hamburger by Kentucky meat packers.

Beyond those changes, comparison between fiscal year 2015 and fiscal year 2016 is somewhat complicated by the refinement in methodology from an aggregate assessment of the total purchases by vendor (FY15), to the current method of assigning a business and farm impact code to each item (FY16). This methodological change accounts for the 100% reduction in both Kentucky processor/mixed and distributor/mixed categories, in that the availability of itemized purchase data (rather than aggregate vendor total only) allowed us to assign specific item expenditure totals to the appropriate categories.

Purchasing of distributed/no farm impact product also increased by \$133,780. However, only about \$85,000 of this was due to increased expenditure on distributed soft drinks and ice, as the remainder was due to the methodological change discussed above. Thus increase in distributed soft drinks was not a predominant source of the increase in the Kentucky Proud and Local purchases in 2016 relative to the previous fiscal year.

Table 5. Comparison of UK Dining Purchases by Category for Fiscal Years 2015 and 2016

Vendor type	Farm source	2015			2016			Change in expenditure 2016 vs 2015	Percentage change 2016 vs 2015
		Number of vendors	Total purchase	Percentage of Kentucky Proud and Local	Number of vendors	Total purchase	Percentage of Kentucky Proud and Local		
Kentucky business	Majority	19	\$140,137	6%	20	\$292,276	10%	\$152,139	108.6%
Kentucky business	Mixed	5	\$95,425	4%	3	\$37,501	1%	\$(57,924)	-60.7%
Kentucky business	None	19	\$387,489	16%	25	\$678,155	24%	\$290,667	75.0%
Kentucky processor	Majority	1	\$365,626	15%	5	\$304,182	11%	\$(61,445)	-16.8%
Kentucky processor	Mixed	1	\$7,664	0%	0	-	0%	\$(7,664)	-100.0%
Kentucky processor	None	3	\$226,571	10%	6	\$257,593	9%	\$31,022	13.7%
Kentucky distributor	Mixed	1	\$10,676	0%	0	-	0%	\$(10,676)	-100.0%
Kentucky distributor	None	4	\$1,130,140	48%	10	\$1,263,919	45%	\$133,780	11.8%
Total Kentucky Proud and Local			\$2,363,728			\$2,833,626		\$469,899	19.9%
Total all purchases			\$10,630,395			\$10,232,824		\$(397,572)	-3.7%

CONCLUSION

This assessment provides meaningful, replicable data regarding the farm and food business source of food purchases which facilitates meaningful year-to-year comparisons. 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, it does offer a strategy for increasing the transparency of complex institutional food systems.

Assessment of supply chains, and those of institutional markets specifically, requires a commitment to transparency by way of sharing large volumes of detailed, sometimes complex, purchasing data. This year's analysis benefited from increased detail in the data compiled by our dining partner and their vendors which, in turn, allowed for finer-grained analysis and increased insight into the dynamics of the University of Kentucky food system. Assembling and maintaining such complex data can be a daunting task, and can be enhanced with well-designed and accessible data-management systems. Future objectives for our work at the Food Connection include development of enhanced data management and information sharing strategies for the benefit of the institution, the food service provider, and the customer.

Attachment 1

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

By Kentucky Farm Source

Majority or direct Kentucky farm source

- The food product or the primary ingredient is sourced exclusively or predominantly (greater than 50%) from Kentucky farms.
- Specific farm sources are or could be identified, though they may be co-mingled.

Some Kentucky farm source

- It can be reasonably concluded that greater than 10% of the food product or a majority fraction of a primary ingredient was sourced from Kentucky farms.
- Farm sources may not be tracked.

No significant Kentucky farm source

- There is less than 10% content of Kentucky farm product, or
- the only significant Kentucky farm content is derived from nationally/globally processed and intermingled commodities, e.g. corn sweetener.

By Kentucky Vendor Source

Kentucky food producing business/ entrepreneur

- Vendor of the product is a food grower (i.e. farmer) or processor operating primarily in Kentucky.
- The majority of owners and operators are Kentucky citizens.

Food processor in Kentucky

- Vendors that are food processors or co-packers enrolled in the Kentucky Proud program.
- The vendor adds significant value to the food product through Kentucky operations, beyond aggregation transportation or distribution.
- The vendor is not owned or not controlled by Kentucky citizens.

Kentucky distributor or not a food business

- No significant value added in-state to product by the vendor (bottling or repackaging is not considered sufficient value-added).
- Vendor of a non-food product.

Attachment 2 Complete List of UK Dining Vendors by Classification

Vendor	Business type	Farm source	Product type
Adam Matthews	Kentucky business	None	Baked goods
Ale-8-One	Kentucky business	None	Value-added
Apple Creek	Kentucky business	None	Value-added
BLM	Kentucky business	None	Value-added
Boone Creek Creamery	Kentucky business	Majority	Dairy
Broadbent Hams	Kentucky business	None	Meat
Clem's	Kentucky business	Majority, none	Meat
Coca Cola	Distributor	None	Value-added
Confused Confections	Kentucky business	None	Baked goods
Continental Mills	Processor	None	Baked goods
Coremark	Kentucky business, processor	Majority, none	Dairy, value-added
Courtney Farms	Kentucky business	Majority	Produce
Critchfield Meats	Kentucky business	Majority	Meat
Custom Food Solutions	Kentucky business	Some, none	Value-added
Dee's Gourmet Nuts	Kentucky business	None	Value-added
Donut Days Bakery	Kentucky business	None	Value-added
Evan's Orchard	Kentucky business	Majority	Value-added
Fishmarket Seafood	Kentucky business	Majority, none	Meat, value-added
Flav-O-Rich	Processor, distributor	Majority, none	Dairy, value-added
Flowers Foods	Processor	None	Baked goods
Gallrein Farms	Kentucky business	Majority	Produce
Grow Farms	Kentucky business	Majority	Produce
Happy as a Lark	Kentucky business	None	Baked goods
Heritage	Kentucky business	Majority	Meat
Highbridge Springs	Distributor	None	Value-added
Home City Ice	Distributor	None	Value-added
John Conti Coffee	Kentucky business	None	Value-added
JSF Farms	Kentucky business	Majority	Meat
Kenny's Farmhouse Cheese	Kentucky business	Majority	Dairy
Kentucky Hydro Farms	Kentucky business	Majority	Produce
Kern's Kitchen	Kentucky business	None	Baked goods
Klosterman Baking Company	Processor	None	Baked goods
Kentucky Mushroom Company	Distributor	None	Produce
Lexington Pasta	Kentucky business	None	Baked goods
Lyons Magnus	Processor, distributor	None	Baked goods, value-added
Marksbury	Kentucky business	Majority	Meat

Vendor	Business type	Farm source	Product type
Mullbery Orchard	Kentucky business	Majority	Produce
North Fork Farm	Kentucky business	None	Meat
Old Kentucky Chocolates	Kentucky business	None	Value-added
Omni Custom Meats	Kentucky business	None	Meat
Pepsi	Distributor	None	Value-added
Preferred Popcorn	Processor, distributor	Majority, none	Value-added
Purnell Sausage	Kentucky business	Some	Meat
Root Bound Farms	Kentucky business	Majority	Produce
Solio	Processor	Some	Value-added
South Farm	Kentucky business	Majority	Produce
Southern Belle	Processor, distributor	Majority, none	Dairy, value-added
Specialty Foods Group	Processor, distributor	None	Meat, value-added
Sunflower Sundries	Kentucky business	Majority, none	Value-added
Sweetgrass Granola	Kentucky business	Some	Value-added
Trifecta	Kentucky business	None	Value-added
UK Butcher Shop	Kentucky business	Majority	Meat
Weisenberger	Kentucky business	Majority	Baked goods
Wildcat Creamery	Kentucky business	None	Value-added