



## KEY POINT

*Foodservice contracts can serve as powerful levers to expand values-based sourcing and strengthen regional supply chains. While they can challenge participation by small and mid-sized farmers, intentional coordination reveals strategic opportunities for more flexible and inclusive sourcing.*

## KEYWORDS

values-based procurement, rebates, institutional foodservice, contracts, regional supply chains

## TERMINOLOGY

**Foodservice Management Company (FSMC):** A company hired to operate an institution’s dining program, including staffing, menus, and purchasing, often through national distributor networks (example: Aramark).

**Broadline Distributor:** A food distributor that supplies a broad range of products (example: Sysco).

**Prime Vendor Contract:** An agreement that directs most food purchasing through a single distributor for consolidated ordering and pricing.

**Rebates:** Payments or credits suppliers provide when buyers purchase large volumes; aka volume-based discounts.

## GEOGRAPHIC FOCUS

North America



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website

## Unlocking Institutional Food Purchasing: Contract Strategies for Values-Based Sourcing

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Hospitals, schools, and other institutions in the U.S. collectively spend over \$200 billion on food each year (Campbell, 2023). While many have adopted commitments to local and/or sustainable sourcing, institutional procurement processes are typically structured around cost containment, risk mitigation, and high-volume distribution. As a result, small- and mid-sized farms, food hubs, cooperatives, and other regional suppliers may face barriers participating in and benefiting from this economic activity, even when buyers express interest in their products. Value chain coordination (VCC) can help these suppliers navigate the layered contracts, compliance requirements, and volume-based incentives that govern institutional purchasing by facilitating communication, aligning expectations, and supporting negotiated solutions.

### I. Strategic Opportunities for Coordinators and Buyers

Here are several leverage points for expanding values-based sourcing based on applied examples:

- **Influence Contract Design.** Advocate for RFPs and agreements (particularly during periodic rebids) to allow multiple vendors or product categories and embed clear values-based procurement targets. Example (from higher education): The University of Kentucky’s dining contract with Aramark includes annual key performance indicators tied to [specific, measurable local purchasing thresholds](#).
- **Build Transparency into Agreements.** Require traceable sourcing data and independent verification of “local” or “sustainable” claims to improve accountability through monitoring and enforcement. Example (from corporate dining): Good Eating Company (a Sodexo subsidiary) has piloted verified sourcing initiatives in California’s Bay Area.
- **Align Incentives with Values-Based Outcomes.** Tie foodservice performance metrics to verified local sourcing, small business inclusion, health outcomes, or environmental benchmarks. Example (from K-12, higher education, and municipal settings): The [Good Food Purchasing Program](#) provides a widely adopted framework.
- **Provide Dedicated Value Chain Support.** Pair procurement reform with technical assistance (via contracts or external partnerships) and coordination support to help producers meet pricing, packaging, food safety, and other requirements specific to market channels. Examples: University of Kentucky’s [Food Connection Value Chain Coordination Team](#), [FARMWISE Indiana](#), [SupplyChange](#), and [Kitchen Sync Strategies](#).

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## II. The Contracting Challenge

Institutional purchasing is generally shaped by two layers of contracts that operate simultaneously: one controls foodservice operations (“Big C”), and the other governs suppliers (“little c”). Understanding how these layers function and interact is central to effective VCC.

“Big C” contracts, between institutions and foodservice management companies (FSMCs), are the first layer. These agreements outsource staffing and menu planning to the FSMC and typically rely on a pre-existing supply chain of preferred distributors and manufacturers. Financial incentives for institutional purchasing managers are often tied to volume and manufacturer rebates, which favor large suppliers. Embedding values-aligned purchasing into Big C contracts—which are typically multiyear—therefore requires intentional and sustained efforts, but can formalize sourcing commitments when successfully structured.

Beneath and within this operational layer is a second set of agreements we refer to as “little c” contracts between institutions (or FSMCs) and distributors. These determine how food is sourced, most commonly through a prime vendor contract with a large broadline distributor, even for institutions who self-operate. These arrangements streamline ordering and logistics, often relying on standardized specifications, volume-based pricing, and compliance requirements related to insurance, ordering cycles, and food safety certification. Such terms and conditions can exclude or limit participation by producers and aggregators operating at local or regional scales (Obadia et al., 2025).

### WANT TO LEARN MORE?

The following organizations provide additional practical guidance and resources for implementing values-based institutional procurement: [Good Food Purchasing Program](#); [Farm to Institution New England](#); [Michigan State University](#).

For additional analyses of distributor practices and rebate structures, see:

- Kelloway, C., & Buck, M. J. (2023). Kickbacks and corporate concentration: How exclusionary discounts limit market access for community-based food businesses. *Yale Law & Policy Review*, (Inter Alia), 1–22. [https://yalelawandpolicy.org/inter\\_alia/kickbacks-and-corporate-concentration-how-exclusionary-discounts-limit-market-access](https://yalelawandpolicy.org/inter_alia/kickbacks-and-corporate-concentration-how-exclusionary-discounts-limit-market-access)
- Apoliona-Brown, P., Dunn-Wilder, E., Guthrie, L., Robbins, P., Steel, A., & Strader, K. (2020). *Be-trayed: How kickbacks in the cafeteria industry harm our communities—and what to do about it*. Real Food Generation. [https://www.namanet.org/wp-content/uploads/field\\_file/Be-Trayed-KickbacksReport2020.pdf](https://www.namanet.org/wp-content/uploads/field_file/Be-Trayed-KickbacksReport2020.pdf)

This brief is part of a series to document VCC strategies to inform policymakers, practitioners, and supply chain partners.

### REFERENCES

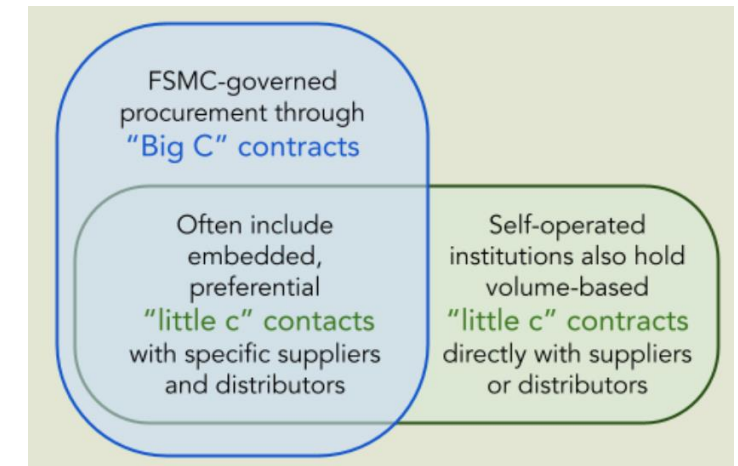
Campbell, C. (2023). Values-based institutional food procurement programs: A narrative review. *Journal of Agriculture, Food Systems, and Community Development*, 12(4), 123–133. <https://doi.org/10.5304/jafscd.2023.124.005>

Obadia, J., Stoddard, J., & Edmonds, E. (Eds.). (2025). *Food service toolkit*. Farm to Institution New England (FINE). <https://www.farmtoinstitution.org/food-service-toolkit>

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Big C and little c contracts operate together. Food service management and supplier agreements jointly shape how institutional food is sourced and which suppliers can participate.

Together, these layered contracts shape how institutional purchasing power is used and influence how risk is distributed, what products are accessible, and which suppliers can be financially viable in institutional markets. While these agreements can limit participation for regional producers, **they are often more flexible for regional suppliers than they first appear**. Whether self-operated or through an FSMC, many institutional contracts include provisions for secondary vendors or local sourcing programs, creating entry points for proactive VCC.