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BE-TRAYED:

HOW KICKBACKS IN THE CAFETERIA
INDUSTRY HARM OUR COMMUNITIES
— AND WHAT TO DO ABOUT IT

CONTRIBUTORS

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REAL FOOD GENERATION's mission is to harness the power of youth and universities to create a food system that nourishes us all. Besides sponsoring the Real Food Challenge, RFG participates in the Real Meals Campaign and supports Uprooted & Rising.

Real Food Generation is a founding member of the HEAL Food Alliance.

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**WITH APPRECIATION FOR THE CHEFS, FRONTLINE STAFF, FOOD PRODUCERS
AND FOOD WORKERS THAT FEED MILLIONS OF STUDENTS EVERY DAY**



TABLE OF CONTENTS



EXECUTIVE SUMMARY	i
INTRODUCTION	1
THE ANATOMY OF THE DEAL: KICKBACKS EXPLAINED	5
THE KICKBACK SYSTEM	9
ROTTEN DEALS MAKE ROTTEN MEALS: IMPACTS OF THE KICKBACK SYSTEM	19
Locking Out Independent Family Farmers, Fishers, and Ranchers	17
Undermining Efforts to Improve Students' Well-being	25
Eroding Labor Conditions, Human Rights, and the Environment	28
Costing Clients and Vendors Money	33
BUSINESS AS USUAL IS NOT AN OPTION: RECOMMENDATIONS FOR A NEW WAY FORWARD	36
For students	39
For Journalists & Researchers	42
For school administrators	44
For Food Workers and Suppliers (Farmers, Ranchers, Fishers, and Food Distributors)	47
For Public Officials	48
For Shareholders	49
ENDNOTES	51

EXECUTIVE SUMMARY



Just three corporations dominate the multi-billion dollar college cafeteria industry. Aramark, Sodexo, and Compass Group are some of the biggest companies most people have never heard of, with revenues that rival McDonalds. Yet how these ‘Big 3’ cafeteria contractors source their food has major impacts, not just for the students they feed, but for society at large.

This report exposes the ‘kickbacks’ at the core of their businesses and the negative impacts they are having along the supply chain.

Kickbacks are rebates paid to the Big 3 by the largest food and beverage manufacturers such as Tyson, Cargill, and JBS in exchange for buying large quantities of their product. These deals privilege the largest food and beverage manufacturers such as Tyson, Cargill, and JBS, giving them access to the college market at the expense of smaller vendors. It’s a pay-to-play system that has largely been hidden from view.

To learn more about the secretive system of kickbacks, we interviewed individuals with direct experience of the Big 3; analyzed academic journals, news articles, and public records; reviewed a range of industry-specific sources, including trade publications and annual reports; and examined contracts from over 100 institutions of higher education.

Our research found that the Big 3’s kickback-centric business model:

- /// Locks independent family farmers, ranchers, and fishers out of the college market. The impacts are especially hard on farmers of color who have already endured decades and centuries of discrimination.
- /// Incentivizes the purchase of processed, shelf-stable foods at the expense of fruits, vegetables, and fresher ingredients that are known to improve academic performance and mental health.
- /// Degrades the quality of cafeteria jobs when more processed and prepared foods replace skill and creativity.

- /// Reinforces the power of agribusiness corporations that are notorious for undermining workers, human rights, and the environment. Big 3 suppliers like Cargill and JBS not only have huge carbon footprints, they are drivers of deforestation that could turn the Amazon rainforest into a “carbon bomb.”
- /// Obscures the true cost of ingredients and likely inflates the cost of food.

We also identified four interlocking features of the system that perpetuate it:

- 1) Its **EXCLUSIVITY**, represented by carefully guarded ‘preferred vendor lists’;
- 2) Its **ENFORCEMENT** through incentives and penalties for local dining managers;
- 3) Its **SCALE** — rebate revenue generates up to half of the companies’ profits;
- 4) Its **SECRECY** — there is almost no transparency about its existence or the true cost of food.

The good news is that there’s a great deal that we can each do to change this system. We should never forget that the profits of the college cafeteria industry ultimately come from students and their families, and that we have the power to change it.

At the end of this report, we outline a range of actions that can be taken by students as well as food producers, journalists, school administrators and government officials to transform the way cafeteria food is sourced. The Real Meals Campaign — which is led by a diverse coalition of people across the food chain — is calling on Aramark, Sodexo, and Compass Group to adopt a roadmap for real change towards a food system that’s fair, humane, climate-friendly and grounded in racial justice. The steps we outline would put close to \$1 billion each year to work for our communities.

We encourage anyone aligned with the campaign’s goal to get involved, visit www.realmealscampaign.org for more information.



INTRODUCTION

Currently, over 7.5¹ million meals are served to U.S. college students every day in their schools' dining facilities. This quantity of food, amounting to purchases worth billions of dollars each year, is contributing to the current patterns in the food system that impoverish rural communities, fuel climate change, and further entrench racial inequity. If the purchasing power of higher education could be redirected towards fair and humane food sources and community-based agriculture and seafood, it would be transformative for food producers, students, workers, and our communities.

This is the idea that inspired the creation of the Real Food Challenge (RFC), and it has borne fruit. Students trained and supported by RFC have won campaigns at more than 80 institutions of higher education since the program's launch in 2008. These campaign wins have secured commitments to purchase over \$80 million worth of food each year from sources that are local and community-based, fair, humane, and/or ecologically-sound—what we call Real Food. The criteria for Real Food are detailed in the Real Food Standards and monitored by student auditors via the Real Food Calculator.² As the commitments have been implemented, they have proven to have the desired effect of increasing environmental stewardship and market opportunities for small and mid-scale producers.³

REAL FOOD CAMPUS COMMITMENT

By signing the Real Food Campus Commitment, schools pledged to use their tremendous purchasing power to support a food system that strengthens local economies, respects human rights, and ensures ecological sustainability. They committed to dedicating at least 20% of their annual food budgets by 2020 from sources that met the criteria in our Real Food Standards, tracked by students using the Real Food Calculator.

Learn more at **WWW.REALFOODCHALLENGE.ORG**



Over the years, leaders in the Real Food Challenge have uncovered hidden barriers that undermine progress. There is a growing body of evidence pointing to ways that food service management companies (FSMCs) are undermining the progress that students, producers, workers, and environmental advocates seek.⁴

The majority of colleges and universities in the U.S. contract FSMCs to run their campus dining operations,⁵ and the largest of these companies have increasingly oriented their business model around the revenue they receive from their suppliers—chiefly multinational food and beverage manufacturers—not just the revenue from their clients: the colleges, schools, hospitals, and other institutions that hire them.⁶ The revenue from their suppliers comes in the form of rebates, or “kickbacks,” that are tied to large volume purchases and/or exclusive contracts.

This “kickback system” has grown so significantly over the last two decades that it is now a major profit center for the largest FSMCs.⁷ While that may be beneficial for those companies’ bottom lines, it has serious, negative consequences for food workers and food producers, the environment, and human health with communities of color typically hurt first and worst. These kickback arrangements prioritize the largest companies in the food and agriculture sector, driving the concentration of market power into ever fewer hands, while decreasing opportunities for independent family farmers, fishers, and ranchers. Kickbacks discourage the sourcing of fresher ingredients, with apparent consequences for student health and well-being. Furthermore, there is reason to believe kickbacks may increase the cost of food that institutions purchase; at minimum they obscure the true costs.⁸ In short, kickbacks exemplify many of the problems of an increasingly consolidated food industry.

This report is intended to draw attention to this practice and encourage action to change it. Building on a growing body of research and journalism around food procurement over the last ten years, this is the first report to put the spotlight on cafeteria kickbacks and their devastating impacts.

Although the main focus of the report is on the food service industry within higher education, we have also drawn on information and insights from K-12 education. Food service for K-12 education is distinct because the federal government determines reimbursement rates and nutrition parameters for the vast majority of schools that participate through the Food and Nutrition Service of the U.S. Department of Agriculture.⁹ However, the way kickbacks function in primary, secondary, and higher education is consistent enough to transfer insights across these market segments.¹⁰

Because information from the industry was difficult to access, our research draws upon a wide variety of sources. They include:

INTERVIEWS AND TESTIMONY: We interviewed individuals who have direct experience with FSMCs from a variety of angles: farmers and food entrepreneurs who were or are vendors to FSMCs; former employees of the companies, most of whom requested not to be named; students and faculty who pressured the companies to adopt Real Food policies; and former New York State Assistant Attorney General John Carroll who investigated them. Carroll was one of three individuals who testified before the United States Senate Ad Hoc Subcommittee on Contracting Oversight, part of the Committee on Homeland Security and Governmental Affairs. That written and oral testimony was also a valuable source.

SECONDARY SOURCES: These include academic journals and reports, government statistics, and news articles, and studies from other organizations.

INDUSTRY-SPECIFIC SOURCES: These include trade publications and promotional material; industry analyses; the annual reports of each of the three biggest FSMCs; and online bulletin boards covering the food service industry, which include food service distribution and food service management.

FOOD SERVICE CONTRACTS: We examined contracts from over 100 institutions of higher education that were obtained through Freedom of Information Act requests.

This report is not an exhaustive account of everything wrong with the increasingly corporatized food service industry. Indeed, there are many issues that go beyond the scope of this report. In fact, the three companies at the center of our research have already been under scrutiny for their labor practices,¹¹ tolerance of cruelty to animals in the food chain,¹² involvement in the prison industrial complex,¹³ and the way their charitable work against hunger is part of a pattern of large companies burnishing their images without addressing the root causes of hunger—and in some cases, exacerbating them.¹⁴

These problems persist to varying degrees. Aramark, Sodexo and Compass Group have all committed to addressing some of the most egregious animal raising practices by phasing out gestation crates for pigs and battery cages for hens, but none have

committed to a specific target around sourcing animal products from the highest welfare systems verified by third parties. Nor have they committed to reducing the number of animals in their supply chain. Under pressure from student groups, Sodexo sold off its corrections arm in the U.S. but continues to profit from prisons and detention center operations abroad.¹⁵ Aramark Correctional Services remains one of the two biggest companies managing prison food services.¹⁶ Dining workers across the country have won important improvements in wages and conditions through union-backed organizing,¹⁷ but the frontline work in a cafeteria is still typically a low-wage and precarious profession. While this report does not address all of these problems in depth, we hope it will continue to increase accountability in the industry by unearthing issues that have received less attention to date and by raising questions about the underlying business model. Kickbacks are one piece of the puzzle illustrating why the cafeteria industry is failing so many of us and what we must do about it.

We made a deliberate choice to refer to rebates and the practices around them as “kickbacks” and the “kickback system” because these terms better illustrate the nature of these deals in the context of food service in higher education. Within the industry, they are referred to by a wide variety of names, including “volume discounts,” “deviated pricing,” “off-invoice rebates,” “sheltered income,” or “back-end allowances.” The kickback system has become a fairly standard business practice within the food service industry, which, at best, is nontransparent and anticompetitive. At worst, it undermines public health and local economies. We hope this report will spark urgent and necessary conversations regarding how FSMCs must shift their business models and begin to prioritize public health, communities, and the environment.

The first section is a primer on kickbacks: the context in which they operate and how they function. The second section describes their negative impact on students, community-based farms and food businesses, food chain workers, Indigenous communities, the environment, and institutions that contract with FSMCs. The final section identifies actions that we, the public, can take to address this hidden yet consequential problem. The good news is there is a lot we can do. Whether you are a student, food producer, university administrator, or public official, there are steps you can take, beginning with increasing awareness about the kickbacks system, which thrives in secrecy.





THE ANATOMY OF THE DEAL: KICKBACKS EXPLAINED



KICKBACKS =

“VOLUME DISCOUNTS”

“DEVIATED PRICING”

“OFF-INVOICE REBATES”

“SHELTERED INCOME”

“BACK-END ALLOWANCES”

In the last few generations, all segments of the food chain have become increasingly consolidated as fewer and fewer corporations control ever larger shares of their respective markets. As a small handful of these multinational “Big Food” corporations dominate a greater share of the food economy, everyone else suffers— from the seed supply to farming, fishing, processing, distribution, etc. In 1950, for example, American farmers received about 40 cents of every dollar consumers spent on food.¹⁸ Now farmers receive 14.6 cents of every food dollar, the lowest rate since the USDA began reporting these figures.¹⁹ Consolidation is a phenomenon on water as well as land: as fewer firms control more and more fishing quotas, fishing communities from Alaska to the mid-Atlantic have lost anywhere between 15 to 91 percent of their boats over the last several decades.²⁰

The general pattern of corporate consolidation and its consequences shows up within institutional food service too. This industry segment includes dining operations (i.e. cafeterias and retail shops) in schools, colleges, hospitals, correctional facilities, nursing homes, stadiums, museums, camps, corporate campuses, government offices, and parks. While some dining operations are what the industry calls

Fig 1. Food service management companies compete fiercely for lucrative contracts

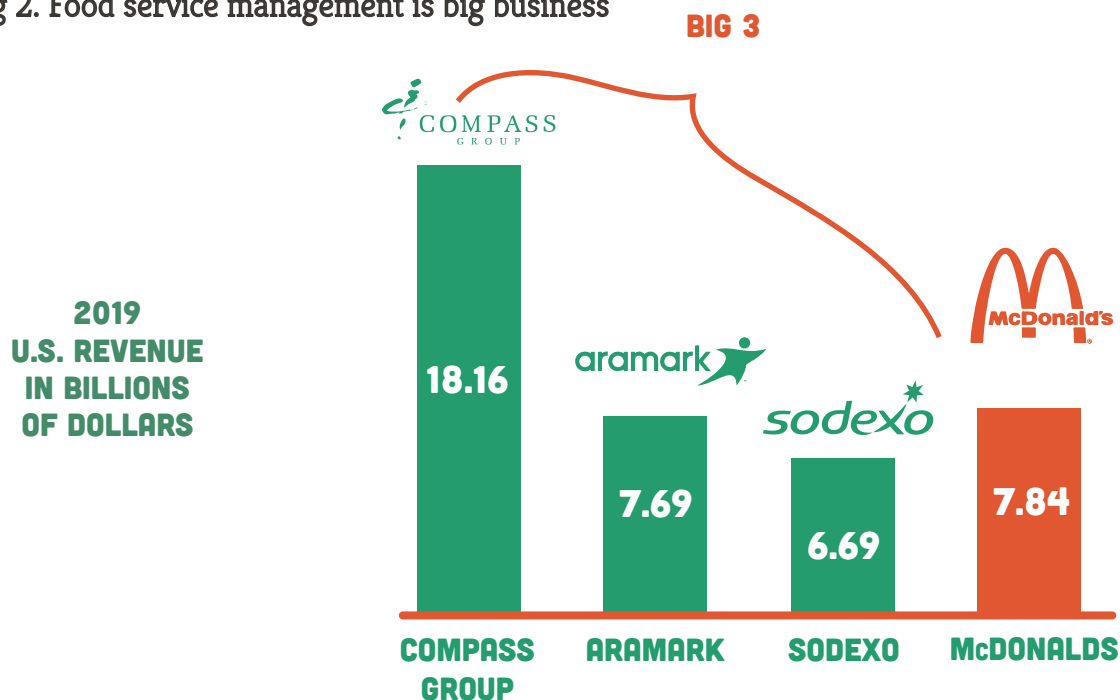
Examples of university contracts	Year contract was up for bid or renewal	FSMC awarded the contract	Approximate annual sales from dining operations	Duration of Contract	Notes
ARIZONA STATE UNIVERSITY, TEMPE	2007	Aramark Chartwells	\$35 million/yr	7 years, with potential to extend for another 10 years	Replaced Sodexo which had held the contract for 40 years
NORTHERN ALABAMA UNIVERSITY	2016		\$5.9 million/yr	10 years	Replaced Sodexo which had held the contract for 39 years
THE UNIVERSITY OF MAINE SYSTEM	2016	Sodexo	\$12 million/yr	10 years	Beat out Aramark and the Maine and Sea Cooperative

“self-operated” (meaning they are run by the institutions themselves), a growing number are outsourced to FSMCs which run the dining operations under contracts.²¹

In the higher education sector, approximately 81 percent of dining operations outsource to FSMCs under contracts.²² Among those outsourced, three food service providers dominate the market. Known in the industry as the “Big 3,” they are: Aramark, Sodexo, and Compass Group (whose subsidiaries include Chartwells and Bon Appétit Management Company).

These three companies controlled 83 percent of all the revenue earned by the top 50 contracted food service companies in the U.S. in 2015.²³ This market is what political economists call a “tight oligopoly”: a situation when four or fewer firms control over 60 percent of a market. For political economists, this market structure raises a concern because it creates the conditions for anticompetitive or unfair behavior amongst the top firms.²⁴

Fig 2. Food service management is big business



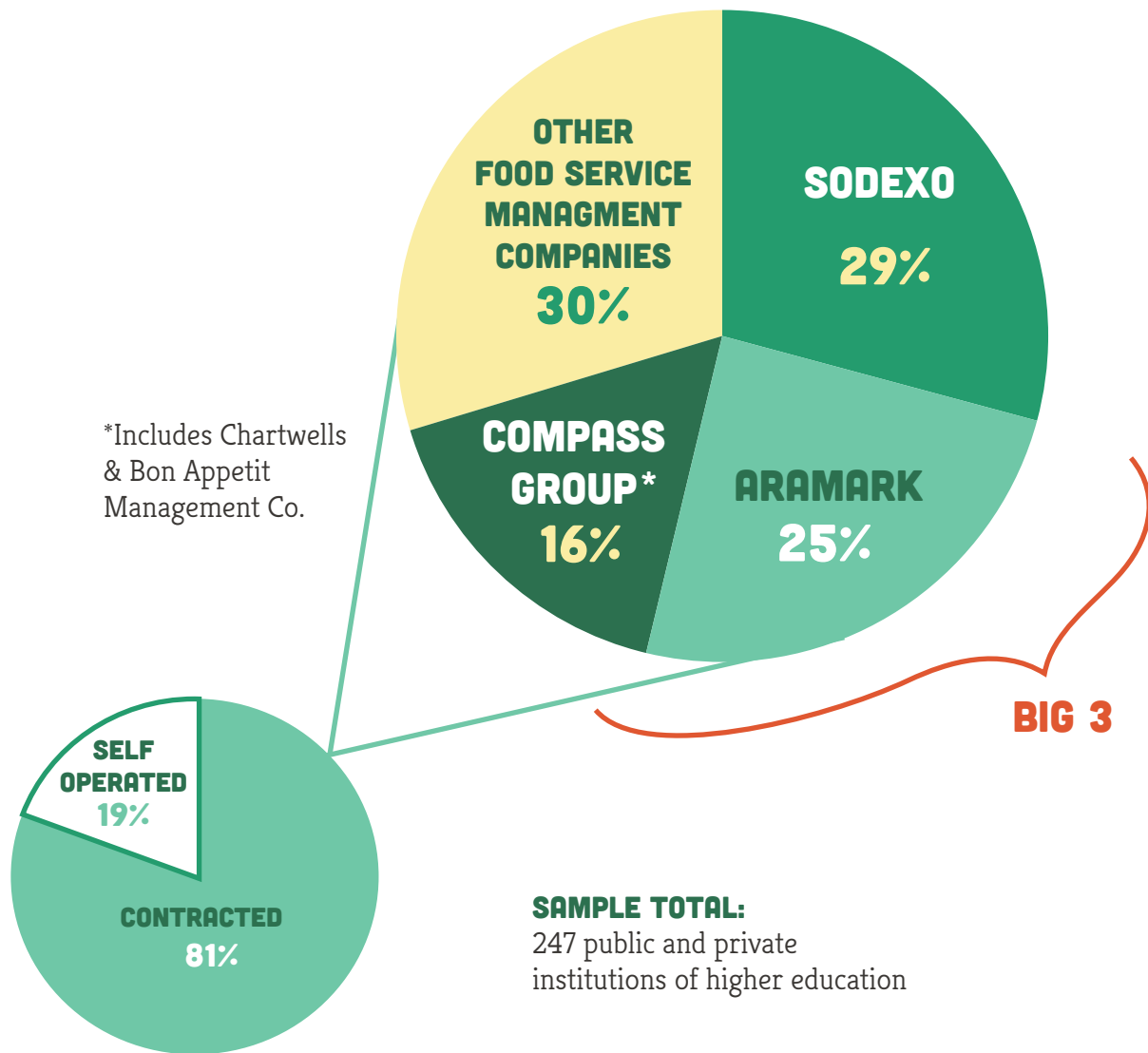
The Big 3 are some of the biggest companies most people have never heard of.

////////////////////////////////////

To be clear, whether or not the kickback system represents violations of anticompetitive behavior as defined by antitrust law is not a question this report attempts to answer. However, by revealing its inner workings, we can see how it leads to negative outcomes for society at large.

Fig 3. The Big 3 dominate the college market

They hold the vast majority of contracts in our sample of colleges & universities






NOTE: Percentages are based on numbers of contracts, not dollar revenue. A similar chart based on dollar revenue would likely show a greater market share for the Big 3, since many of the contracts held by “Other FSMCs” represent relatively smaller operations.

Our random sample of 247 was composed of public and private colleges and universities 4 year institutions that confer bachelor’s degrees. The majority of college students in the U.S. are enrolled in 2 year community colleges, but their dining operations are often smaller and harder to find information about, so 4 year institutions were chosen to make the research more feasible. Based on experience, we believe the pattern would be roughly similar if community colleges were part of the sample.

THE KICKBACK SYSTEM

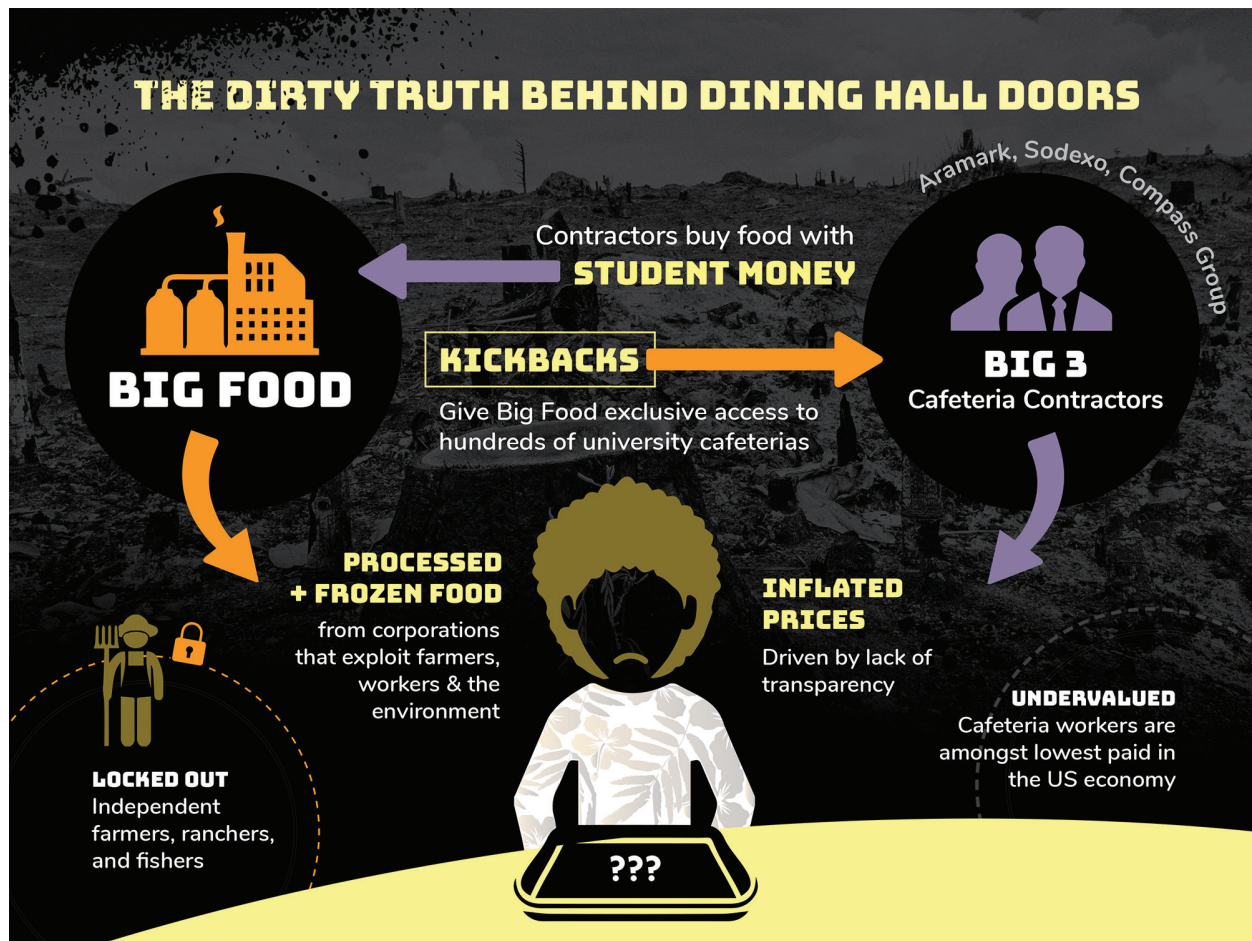
The core of the kickback system is the kickback itself: a rebate paid to the FSMC by a food or beverage manufacturer as a reward for purchasing a high volume of their product. These kickback deals are arranged by divisions of each of the Big 3 called Group Purchasing Organizations (GPOs) that manage procurement for thousands of different clients (including schools, colleges, hospitals prisons, and stadiums) across North America. By pooling the volume of frozen chicken breasts needed for some set of clients, for example, a GPO can negotiate a bigger kickback from a supplier company such as Tyson Foods.²⁵ The kickback the FSMC receives from its food supplier ranges from 5 to 50 percent of the purchase price of that item.²⁶

Fig . 4 The Big 3 leverage their dominance to secure kickbacks

	Group Purchasing Organization	Scale
	Avendra Based in Rockville, MD	Handles \$5 billion in annual purchasing spend Serves 650 companies across 8,500 locations
	Foodbuy Based in Charlotte, NC	Manages \$20 billion in purchasing power Has over 6,000 clients
	Entegra Based in Gaithersburg, MD	Handles \$18.2 billion in purchasing spend in North America Serves more than 93,000 purchasing sites in North America

Each company has a GPO to arrange big volume purchases and the rebates they generate

Fig 5. The kickback system creates winners and losers



Infographic design by Poonam Whabi

It is not unusual for buyers and sellers to negotiate favorable terms such as incentives for higher volume purchases, and the practice is often benign; using purchasing power to secure a better price for goods is standard practice across many markets and industries. For example, as Aramark states in its annual report, “Due to our ability to negotiate favorable terms with our suppliers, we receive vendor consideration, including rebates, allowances and volume discounts.”²⁷ However, in the food service management industry, this common practice of negotiating rebates has evolved into something much more problematic due to its **exclusivity, enforcement mechanisms, scale, and secrecy**:

EXCLUSIVITY

When a deal to purchase food from a particular supplier is arranged by a GPO, how do the headquarters of FSMCs ensure that thousands of employees at the client level will actually buy food from that company?

Let's take, for example, a dining manager at a college where they operate the dining hall. The first step is to have a list and to encourage or require purchases off of that list. These lists are often known as "approved vendor lists," "preferred vendor lists" or "buying on contract," depending on the company and precise arrangement. According to a report by Farm to Institution New England, "most food service management companies require their clients to purchase 80 percent or more of their products through approved vendors."²⁸ Anecdotal evidence has suggested that requiring managers to purchase 100 percent of their food from these lists may be prevalent.²⁹

In the industry, that numerical target is known as "compliance," and it is a key factor in operations and even employee evaluations. According to a Sodexo manager's memo, "We want to have a compliant program, because it is better for the company as a whole. So, we intend to make it harder to buy outside of the program unless our client wants a specific brand."³⁰ As described in a 2011 hearing before Congress, "Food service company employees are evaluated on the basis of... how much of [their] purchases are compliant, and compliant means on a list of products that generate rebates. So the companies have very sophisticated systems to keep track of and collect rebates from vendors."³¹

ENFORCEMENT

The second component of the kickback system is compliance enforcement. As mentioned above, a system of reward and punishment is exerted to ensure that local managers (also known as unit managers), do not deviate from the preferred vendor list. Robert Volpi is the principal of QCC Consulting, which advises dining operations on sustainability and waste management strategies. He previously ran dining operations at several schools, including 11 years working for Aramark. In his words:

“ The requirement of a unit manager was that the company would select who you would buy from. That is pretty much standard either Sodexo, Compass, or Aramark, whomever. You are restricted based on what the company is saying the guidelines are. ”

Volpi further described this requirement as directly tied to the salaries of unit managers across the industry, creating powerful incentives to comply:

“Pretty much the standard of salary potential earnings was all based on the same structure. It didn’t matter if it was Aramark or Sodexo. It was pretty much the same structure in place that reviewed your performance based on the ability to achieve certain compliance levels [with the preferred vendor list] ... As a manager, the better we did complying with all those policies and procedures, the more we made. When you’re out of college and you’re trying to build a family and start a life and have a house, bonuses are nice.”³²

On the other hand, there can be negative consequences for managers who deviate from their compliance numbers, which are monitored by their superiors. In discussing her reluctance to explore food sourcing that wasn’t already on the list, a dining manager with Sodexo told an RFC student leader, “I don’t really feel like losing my job.”³³

SCALE

The Big 3 go to extreme lengths to ensure compliance with their preferred lists because kickbacks are extremely lucrative. In most circumstances beyond the Big 3 context, rebates effectively lower the price of a particular good, but the kickbacks arranged by FSMCs seem to be treated within the companies more like a source of revenue than a factor in managing costs.³⁴ Indeed, the idea that rebates lower prices for the FSMCs’ clients is questionable at best, an issue that is discussed further in the next section, Rotten Deals Make Rotten Meals. What is clear is that kickbacks are a significant source of profit to the Big 3. One source that requested to remain anonymous for this report suggested that rebates account for 40 to 50 percent of these companies’ net profits in their North American operations.³⁵ However, there would need to be more transparent financial reporting by the companies to determine exactly how much.³⁶

Nevertheless, the experiences of former FSMC employees make it quite clear how important kickbacks are to the Big 3.³⁷ The employees’ commentary reveals just how focused the companies are on the revenue they receive from their GPOs, perhaps even more than the revenue they receive from sales and operations.³⁸ One former executive chef at an Aramark-contracted university recalled an experience that underscored how important kickbacks are to his employer:

“ I decided to throw my hat in the ring for a regional purchasing director position that was managed from the corporate office. And the regional purchasing managers, their job was to go around and make sure people were buying correctly in the unit. So I figured, well, let me throw my hat in the ring. So, when I went down for the interview with the President of Purchasing for Aramark, [there] was a point at the end of the interview when he leaned back in his chair with a smirk on his face and said, “You know, you guys in Operations at the ground level think you’re the ones that make or break the P&L for this company. I’ll have you know that... the millions of dollars that purchasing directs to the company’s profits dwarf what you guys in Operations are doing.” ... And I’m sitting there thinking, we’re the ones that go in at five o’clock in the morning and work until nine o’clock at night... and you’re gonna sit here and tell me it barely matters? That was my wake-up call to say, ‘This is where the company’s making significant money.’” ³⁹ ”



“ The millions of dollars that Purchasing directs to the company’s profits dwarf what you guys in Operations are doing.

- Aramark executive to Aramark dining manager



SECRECY

Finally, the kickback system relies on secrecy. Some level of secrecy could be considered standard business practice to maintain competition, but the kickbacks system is enveloped in an unreasonable and stifling amount of opacity. For example, a leaked memo in 2000 by Anthony Alibrio, president of the Healthcare Service Division for Sodexho-Marriott (the company that would later become Sodexo) provides a glimpse of how the Big 3 think about both the importance of kickbacks and their secrecy. “SODEXHO MARRIOTT PRICING IS CONFIDENTIAL,” Alibrio wrote to his

employees. The memo went on to warn Sodexho-Marriott employees not to divulge prices to their clients because, “The manufacturer rebates and distributor rebates fund and support our entire Purchasing & Procurement Department and network.”⁴⁰

The true cost of a food product is completely hidden to those outside of the companies’ GPOs, as evidenced by the fact that rebates are also known as “off-invoice rebates.” In his Congressional testimony, John Carroll discussed the lack of transparency surrounding cafeteria kickbacks, stating, “there was no way school officials could independently determine what was going on behind the scenes between food vendors and food service companies.”⁴¹ In the chapter about food service management from a recent book titled *Institutions as Conscious Food Consumers*, one FSMC employee that was interviewed “argued that there was ‘absolutely no transparency’

around the percentage of food payments that were paid back to the foodservice company as a rebate.”⁴²

“

Absolutely no
transparency

”

- FSMC employee commenting on
the percentage of food payments paid
back to the food service company as
a rebate.

It’s not just the price that is kept confidential; the existence of the system appears to be a guarded secret as well. All but one of the food service professionals who were interviewed for this report and the book chapter mentioned above spoke only on the condition of anonymity, even when they no longer worked for one of the Big 3 companies.

The fear of retaliation for revealing too much is real. When a Sodexo employee in Massachusetts named Jay Carciere spoke out in 2005 about rebate abuses he saw, he was fired, despite having been nominated for manager of the year a few months earlier.⁴³

It is not illegal for contractors to seek and retain rebates while providing food service to institutions of higher education. But that does not mean the practice is desirable or ethical. In the K-12 education sector, a rule promulgated by the US Department of Agriculture in 2007 made it unlawful for FSMCs to retain rebates for themselves.⁴⁴ They are required to return rebates to the public school districts that contract with

them. In two cases to date when rebates were allegedly not returned, the school authorities have sued. In 2010, Sodexo agreed to pay New York State \$20 million to settle a lawsuit sparked by Jay Carceiro's whistleblower complaint.⁴⁵ Chartwells agreed to pay \$19 million to the Washington, D.C. public schools following a similar lawsuit.⁴⁶

Carroll, the former Assistant Attorney General of New York that secured the settlement from Sodexo, described the kickbacks as "fundamentally bad business." As he stated in his congressional testimony:

“First, even though rebates now are required to go back to schools, the process of counting the rebates and allocating will inevitably be imperfect and the entire process is wasteful. Second, in my opinion, rebates create an inherent conflict of interest. Decision makers are likely to make food choices based on maximizing rebate income rather than more important factors.”⁴⁷



“ In my opinion, rebates create an inherent conflict of interest. Decision makers are likely to make food choices based on maximizing rebate income rather than more important factors

- John Carroll, former Assistant Attorney General of New York





ROTTEN DEALS MAKE ROTTEN MEALS: IMPACTS OF THE KICKBACK SYSTEM



LOCKING OUT INDEPENDENT FAMILY FARMERS, FISHERS, AND RANCHERS

In order to maximize kickback earnings, FSMCs restrict the number of vendors their unit managers can purchase from and require them to purchase large volumes from few vendors. In this process, they give preference to the largest food and beverage companies. “To the extent that some food item, for example chicken, can be purchased from one source, for example Tyson, instead of from myriad local sources,” Carroll said, “this is more desirable for the food service companies because this will help them maximize rebate payments.”⁴⁸ In effect, the kickback system extends the power of Big Food at the expense of community-based farms and food businesses.

THE FARMER PERSPECTIVE

This preference for rebates and for larger companies is a systemic problem for independent farmers, ranchers, fishers, and to almost any food business that is creating alternatives to mainstream industrial practices. Mike Callicrate, a cattle rancher and business owner in Colorado, knows firsthand how bigger suppliers and kickback systems can push smaller businesses out of the institutional food service market. Indeed, his own experience with kickbacks helps illustrate how the system works. Referring to a meeting with a Foodbuy representative in Denver, he said:

“ They wanted me to become a preferred supplier for Foodbuy, which is a Compass’ kickback mechanism... I let him present his sales pitch. He laid some documents out, where I would be signing, agreeing to give anywhere from 1 to 3 percent [of sales to Food Buy.] The more I gave, the more access to the market I’d have, the more they’d promote my product. But the other people that I would be competing with were the big processors: Tyson, Cargill, JBS...After he explained all this to me, and how that system worked, I said, ‘Well, you know, I’m really not interested in paying kickbacks. I’m a Farm to Fork supplier for Bon Appétit and get paid promptly.’ This guy’s jaw dropped. He realized he had just revealed everything about their Foodbuy kickback program, and I wasn’t interested in being in it.”⁴⁹

Despite rejecting the invitation to pay rebates and become a preferred supplier, Callicrate was able to sell beef to three colleges who contracted with Bon Appétit

Management Company, a subsidiary of Compass Group. Bon Appétit had initiated a well-regarded “Farm to Fork” program in 1999 to promote local sourcing. Ranch Foods Direct, Callicrate’s company, became a “Farm to Fork” supplier. Despite the promise of the local sourcing program, Bon Appétit’s purchases from Callicrate dwindled over time. For example, Colorado College, one of Bon Appétit’s campus clients, has not only greatly reduced their purchases from Ranch Foods Direct (a decline of 90 percent since 2015), they have also decreased their overall commitment to local purchasing, dropping from 12 percent to six percent over a period of three years, according to recent Real Food Calculator assessments.⁵⁰

The same thing happened to Callicrate at the University of Colorado Colorado Springs (UCCS) dining program, which was then contracted with Sodexo. Callicrate shared that Ranch Foods Direct used to sell to UCCS to supply one of their cafes with about 15-30 pounds of ground beef per week, but UCCS has since stopped purchasing from them. Now they purchase from Aspen Ridge, a JBS brand.

Callicrate went on to explain that the kickback system compounds uneven and unfair dynamics already in the marketplace:

“ [JBS] is the biggest meat company in the world, and they are the biggest criminal in the world as well, at least in the meat industry. . . They’ve got all this below cost of production stuff that they have access to around the world. . . They bring it in, and then they use that low price to blow people like myself out of our accounts, whether it’s an institutional account or whether it’s a wholesale account that buys from Sysco.⁵¹ And of course, the rule is they’re not supposed to be able to sell below cost of production. But the problem is, who’s to say what the cost of production is? ”

“ [JBS] is the biggest meat company in the world. . . They’ve got all this below cost of production stuff that they have access to around the world. . . They bring it in, and then they use that low price to blow people like myself out of our accounts ”

- Farmer Mike Callicrate



Here, Callicrate is referring to antitrust law that is designed to prevent predatory pricing, or selling below cost of production in order to eliminate a competitor. However, a barrier to selling to Big 3 companies is that larger companies are purchasing inputs far below cost of production from farms in the U.S. and abroad.

It bears emphasizing that roadblocks to institutional markets hit certain kinds of food producers especially hard. One category is “agriculture of the middle,” a term popularized by Iowa State University’s Leopold Center for Sustainable Agriculture. This refers to the segment of farms that are too big for niche markets, but too small or diversified to sell to national or international commodity markets. According to the Leopold Center, these farms traditionally constituted “the heart of American agriculture.”⁵²

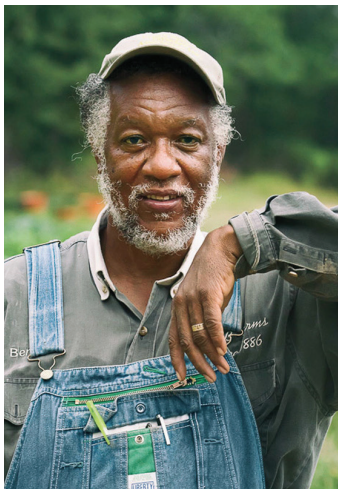
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“ If present trends continue,
these farms, together with
the social and environmental
benefits they provide, will
likely disappear in the next
decade
- Leopold Center ”

//////
Even though many of these operations are mid-sized as defined by the USDA,⁵³ the Leopold Center views these farms’ place in the market structure as more significant than their size. Also significant is the fact that they are ideally situated to provide the kind of differentiated and value-identified products that are increasingly demanded by food service customers. Unfortunately, it’s precisely this segment of farms that have suffered the most in the current policy and market context. As several researchers from the Leopold Center noted, “If present trends continue, these farms, together with the social and environmental benefits they provide, will likely disappear in the next decade.”⁵⁴ This observation underscores the urgency of de-monopolizing access to food service buyers.

Another category of concern is farmers of color, many of whom also operate in the “middle” described above. Black, Indigenous, Latinx, and Asian farmers have endured in the U.S. despite long histories of dispossession and discrimination by both state and private actors.^{55 56} After two rounds of a class action lawsuit initially brought by Black farmers against the USDA known as Pigford vs. Glickman, the Obama administration seemed to bring a small portion of justice to farmers who had been discriminatorily denied loans by the USDA, but even that settlement has been incomplete

and any changes it spurred in the agency are under threat.⁵⁷ Moreover, a great deal of damage had been done. Whereas Black farmers accounted for 14 percent of U.S. farmers in 1910, by 2012 they made up little more than one percent.⁵⁸

Fair markets are far from the only thing that Black farmers need, but they are an important piece of the puzzle.⁵⁹ While institutions of higher education and the FSMCs they contract with could play a constructive role, they have not responded adequately to the crisis. Indian Springs Farmers Cooperative in Mississippi, for instance, is a Black farmer collective formed in 1981, with a desire to enter institutional markets like university dining services. While they've been able to sell produce at farmers' markets organized by students at Southeast Louisiana University, their proposal to provide fresh produce in the school's cafeteria was rebuffed by its contractor, Aramark. Aramark claimed that they already sourced enough local produce from one of their distributors, but they also refused to let students examine their sourcing patterns using the Real Food Calculator.⁶⁰



“

To be a farmer, you have to
have a lot of faith.

”

-Ben Burkett, Indian Springs Cooperative.
Mississippi

Burkett was hoping to sell produce to Aramark at Southeastern Louisiana University

Philip and Dorothay Barker are part of another network of Black farmers in North Carolina. For decades, they tried to access these institutional markets in their state without success. “The big boys had things in place that they used to help each other,” Mr. Barker observed. “We need to make the playing field more level.”⁶¹

THE STUDENT ADVOCATE ANGLE

At the University of Utah, RFC student leader Sawson Gholami and other students spent four months building a spreadsheet of Real Food-qualified⁶² options for their Chartwells manager to consider. Their research was informed by several meetings they had organized with the dining team to understand what information the food purchasers would need to make good choices. Upon finally presenting their research

“No matter how prepared we were, they weren't going to do anything. We definitely experienced the preferred vendors list as a barrier. They fundamentally constrained our dreams of justice.”

- Ahna Knudsen,
Clark University Alum

and suggestions in May of 2018, Gholami and his team were stunned to hear the dining department tell his team they couldn't use any of their work. The dining staff refused to consider any vendor that wasn't already distributing through Sysco (essentially, any vendor not on the preferred vendor list).

Gholami says he felt frustrated and disappointed. He had been hoping to bring new suppliers into his cafeteria such as Canyon Meadows Ranch, a regional supplier of grass-fed beef, and he wanted his dining services to make a serious commitment to procure from New Roots Farm in Salt Lake City, whose farmers are refugees supported by the International Rescue Committee.

The experience reinforced his sense that the Chartwells team was uncommitted to the Real Food goals written in their contract and even potentially undermining the students' work. According to Gholami:

“They won't communicate with us... And when they do, they give us wrong information. It takes a lot of student time. We try to communicate with them to see what they need to make the shifts and they give us bad information which leads to poor results.”⁶³

A similar pattern revealed itself at Clark University in Massachusetts, which outsources its dining operations to Sodexo. In a similar scenario, Clark students, including Iolanthe Brooks and Ahna Knudsen, came up with a list of Real Food

options, like Grandy Oats, an organic granola supplier that employs around 30 people in rural Maine. Again, the suggestions were rejected because the suppliers were not on the preferred vendors list. “No matter how prepared we were, they weren’t going to do anything,” said Knudsen. “We definitely experienced the preferred vendors list as a barrier. They fundamentally constrained our dreams of justice.”⁶⁴

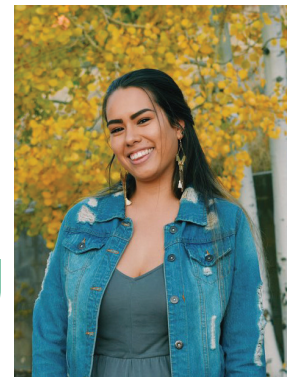
Students’ efforts to drive more local and ethical sourcing have been thwarted even under the most favorable conditions. Students at Fort Lewis College, another Sodexo account, brought a proposal to their dining manager in 2017 to source 10 percent of beef from sources that met Real Food Humane standards. The team of students, including Aolani Peiper, had ensured the shifts they were proposing would be cost neutral. They had studied previous invoices, sought technical assistance from an animal welfare organization named Farm Forward, and created a “less meat, better meat” plan that would reduce overall meat purchases and purchase meat from higher welfare sources. This proposal was not flatly rejected, but according to Peiper, it was stalled and had still not been implemented at the time of the interview.⁶⁵

“

It seems like she is getting pressure from her higher ups, because she’s agreed to things but hasn’t followed through.

- Aolani Peiper , Fort Lewis College Alum
about her Sodexo dining manager

”



Based on previous experiences, in which her team’s proposals for Real Food sourcing were refused explicitly because they weren’t on the preferred vendors list, Peiper suspects that the pressure on FSMC managers to meet compliance is the reason for the roadblock. Referring to the dining manager, Peiper said, “It seems like she’s getting pressure from her higher ups, because she’s agreed to things but hasn’t followed through.” The experience left Peiper distrustful of their cafeteria contractor: “Sodexo is awful. They don’t want to listen.”⁶⁶

These roadblocks are all the more frustrating because we know how meaningful Real Food purchasing can be. In a recent report, eight ways that Real Food procurement positively impacts communities in the food supply chain were documented.⁶⁷

WHAT THE ALTERNATIVES REVEAL

A growing number of cases demonstrates the positive impact of liberating dining services from the restrictions imposed by the Big 3's kickback-centric business model. For instance, UC Santa Cruz, under pressure from students, decided not to renew their contract with Sodexo in 2004; this put the school on the path to becoming a leader in local and sustainable sourcing.⁶⁸

Robert Volpi, the former Aramark employee, witnessed firsthand how constraining FSMCs can be. After Aramark, he went on to become the food service director at Bates College and then Williams College. Both schools had self-operated — and highly-regarded — dining programs. Volpi appreciated the relative freedom of:

“ Being at a liberal arts school that prioritized the surrounding community and really cared about building relationships with the local businesses and farms. [At Bates and Williams College], there was the freedom to actually do that, so we did. We built some really nice relationships across the board. High Lawn Dairy Farm needed a kickstart, and we gave them the volume that they needed to really sustain what they wanted to do. Their whole goal was to restore that farm. The kick start that we gave them was the channel into the Boston market, expansion into Northampton area. Back when we bought product from them, they were using a Tropicana truck that they had bought second-hand. They came right to campus, brought the milk every day, like they do today. And today they have nice, beautiful trucks. ”

“ Without preferred vendor lists...the district has found that its procurement challenges have become manageable and are ‘shrinking with time’ ”

-K-12 food service director

The food service director of a K-12 school district interviewed by the Center for Livable Future also spoke about the flexibility gained by not being tied to rigid lists. They stated that, “Without preferred vendor lists or other general restrictions on sourcing, the district has found that its procurement challenges (which include finding regional farmers who are G.A.P.-certified⁶⁹ and can meet the district’s high-volume needs) have become manageable and are ‘shrinking with time.’”⁷⁰

To be clear, not every school that is self-operated is a Real Food champion, and not every school that contracts with the Big 3 is failing to meet Real Food goals. The University of Vermont (UVM), for example, has a contract with Sodexo and achieved 20 percent Real Food procurement three years ahead of schedule and is now aiming for 25 percent.⁷¹ At UVM, Real Food percentages were stalled around 12 percent for three years until students and staff wrote Real Food specifications directly into the contract with Sodexo before it was renewed in 2015. It's not that the companies can't do better. The UVM example demonstrates that FSMCs can do well when compelled to do so.

Furthermore, we should be clear that individual people employed locally by the companies are not the problem. Reflecting on his experience with the University of Utah dining department, Sawson Gholami, talked about a particular chef who was trying to push through the barriers even though it wasn't within his work responsibilities to do so. The stories of RFC student leaders are filled with personnel who went out of their way to buy Real Food, whether because they believed in Real Food themselves or because they wanted to keep their customers happy. And there are champions for Real Food in each of the companies, often in the sustainability office. But evidence is mounting that the pressure on unit managers to comply with the rebate mandate could weaken or erode those Real Food efforts. As Aolani Peiper from Fort Lewis College said, "We have to separate corporate Sodexo from the people at Fort Lewis. [The dining director] as a person is not a problem. The problem is the people she has to listen to."⁷² The problem is also the pressures that those people themselves are responding to, and the kickback system as a whole.



UNDERMINING EFFORTS TO IMPROVE STUDENTS' WELL-BEING

Kickbacks don't just impact people on the producer side of the food system; they are having an impact on consumers as well.

The case is clearest in K-12 education. John Carroll describes the impacts of the kickback system for student meals as follows:

“ Let's say you're supposed to spend \$2.50 on food, but you're getting a 50 cent kickback or rebate. That means that 50 cents in initial value is not ending up on the plate. And that's a significant difference when you're talking about the quality of food that's typically served in school lunch programs.⁷³ ”

Rick Hughes,⁷⁴ who spent eight years as a manager for Sodexo in Colorado, made an even clearer connection between the kickback system and a lack of nourishing food. Speaking of his time with Sodexo, he said:

“ We were rewarded for purchasing specific products... Especially if the company is mandating that you buy their foods, absolutely that's what food service directors are buying. There's big money tied up in big company food and agribusiness. There's not a whole lot of money tied up in fresh vegetables and fruits. So just follow the money. That's what's being given to kids.⁷⁵ ”

His point, backed by others, is that the rebate system incentivizes the purchase and use of shelf-stable (preserved and/or more processed) products that are associated with the biggest rebates rather than fresh ingredients.

It's well documented that highly processed diets that are high in fat and sugar are associated with all kinds of negative health impacts, including diseases such as cancer, diabetes, and coronary heart disease.⁷⁶ Now a

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“ There's not a whole lot of money tied up in fresh vegetables and fruits. So just follow the money. That's what's being given to kids. ”

- Rick Hughes,
former Sodexo manager

////////////////////

series of studies have demonstrated a link between the nutritional quality of food and students' behavior, academic performance, and health.⁷⁷ For example, a 2009 study in the United Kingdom evaluated the effect of a shift in one school district from processed food to healthier, freshly-prepared meals. It found that educational outcomes improved significantly in English and Science and absenteeism declined.⁷⁸

Another study looked at the influence of fruit and vegetable consumption on the mental health of young adults aged 18-25. It found that raw fruit and vegetable intake (but not processed fruit and vegetable intake) significantly predicted higher mental health outcomes. Those outcomes included aspects of well-being like "reduced depressive symptoms and higher positive mood, life satisfaction, and flourishing."⁷⁹

Our research did not identify as many studies covering higher education and found none that looked specifically at the relationship between college students' well-being and food quality (as opposed to eating habits more generally, for instance). But given the well-established link between nutritional quality and a whole range of outcomes, it's reasonable to think that college students would be negatively affected by a business model that incentivizes the use of processed foods over fresher foods ingredients. A 2008 study from the University of Michigan found that primary school

A 2008 study from the University of Michigan found that students eating food provided by outsourced food service companies performed worse in school and scored lower on testing



students eating meals provided by outsourced food service companies performed worse in school and scored lower on testing.⁸⁰

There is certainly no shortage of complaints from students directed at each of the Big 3 cafeteria operators. Gholami's comment about his school's Chartwells-operated dining service, for instance, is not uncommon: "It's very expensive and low quality," Gholami said. "My friends who have meal plans

take me sometimes - you get sick afterwards. Every time [I] eat there—four or five times a semester—I feel uncomfortable. Like I have indigestion. I feel gross. Ask anyone on this campus."⁸¹

A student at Aramark-contracted Grambling State University echoed Gholami's concern about quality relative to cost. Her letter to the editor also illustrates the cultural dimensions of well-being:

“ This is an HBCU, and for some reason I feel like I shouldn’t expect raisins in my collard greens, and somehow, y’all still managed to catch us off guard with macaroni and cheese hot dogs you had the audacity to serve Tuesday, Sept. 4, 2018 ... To be honest, the on-campus meal plan is not worth the increase students are being charged. Food services provided through Aramark ARE NOT worth nearly \$2,000. If students on campus are going to be paying that much, the quality of the food should increase and so should the amount of Tiger Bucks we’re given... A lot of us come from areas where fresh food and healthy lifestyles are the norm, and leaving that for this is almost enough to make students look at other universities.⁸² ”

An article in the University of New Haven’s campus paper was similarly critical of its Sodexo-operated dining services:

“ ‘If you want to live a healthy lifestyle there are not a lot of options. In [Food on Demand] there are typically only two options in the vegetarian menu,’ said sophomore Nicole Manall when asked if she perceived Sodexo to be a healthy company. Even students who may enjoy the food typically hold the belief that it is not the best in regards to nutrition, as is the case with sophomore Danny Courtemanche. ‘I don’t mind it as much as other students seem to, but I do feel like a lot of the foods they make are processed. I’m not picky with foods but I know it’s not the healthiest thing I should be eating,’ he said.⁸³ ”

Like the impact on farmers and other food suppliers, the consequences of kickbacks for consumers’ well-being are not evenly distributed. For example, students at some Big 3-contracted schools do enjoy relatively high quality dining experiences, often as a result of student organizing.⁸⁴ Whether they are responding to student pressure or trying to make a mark on a particularly prominent campus, the Big 3 almost certainly have the ability to create showcase accounts without disrupting the fundamental system. More processed and prepared foods procured by GPOs in order to gain the biggest rebates can be funneled towards clients with less clout such as community colleges.⁸⁵ (The ability to strategically distribute highly-rebated but lower-quality food may even explain some of the awful experiences that many incarcerated people report with privatized prison food services.)⁸⁶

ERODING LABOR CONDITIONS, HUMAN RIGHTS, AND THE ENVIRONMENT

Yet another downside of the kickback system is that it ties FSMCs—and therefore, the schools they contract with— to serious human rights and environmental abuses around the world.

As mentioned earlier, FSMCs have an incentive to seek the biggest rebates, and the biggest rebates are associated with the biggest food manufacturers, many of which have appalling track records when it comes to social and environmental justice.

For example, Minneapolis-based Cargill, Inc. is one of the largest commodity traders and meat processors in the world and is a supplier to Sodexo⁸⁷ with \$113.5 billion in revenue in 2019.⁸⁸ In 2019, it was named “the Worst Company in the World” by the environmental advocacy group Mighty Earth.⁸⁹ Mighty Earth cited Cargill’s role in the deforestation of the Amazon rainforest and the adjacent forest-savannah area called the Cerrado—among other abuses. In Brazil, Cargill’s soy supply chain is the biggest threat to the local ecological balance; in southeast Asia, the threat comes from plantations that produce palm oil⁹⁰; in West Africa, Cargill’s cocoa supply chain drives both deforestation and child labor; and the list goes on.⁹¹

“The incentive for the destruction [of the Amazon] comes from large-scale international meat and soy animal feed companies like JBS and Cargill.... It is these companies that are creating the international demand that finances the fires and deforestation.

- Mighty Earth

While the veil of secrecy makes it impossible at this point to know the exact arrangement between Cargill and various FSMCs, it's clear enough that Cargill and its subsidiaries have relationships with Sodexo and Aramark's dedicated distributor Sysco.⁹²

Another company implicated in the recent surge of Amazon fires is JBS,⁹³ whose subsidiaries have relationships with Aramark and Compass Group. JBS is a Brazilian company that is now the largest (by sales) meat processing company in the world. Swift & Company (renamed JBS USA) was its first American acquisition in 2007. Other acquisitions, which add up to more than a dozen American brands, include Smithfield's beef business and Pilgrim's Pride.⁹⁴ JBS operates 35 slaughter facilities in Brazil including several in Amazon states,⁹⁵ strategically located near forested areas that are being cleared for cattle operations.⁹⁶

While the Amazon fires have faded from the headlines recently, the issue continues to be of the utmost importance and urgency. The Amazon itself requires enough forest to produce the moisture that makes it rain. Without a certain amount of tree cover, the rainforest will begin an irreversible decline, transitioning to a drier savannah. Recent research reveals that the tipping point, estimated to be when the Amazon loses 20 to 25 percent of its forest cover, is alarmingly soon. With 17 percent of the trees already cleared by human activity, the tipping point could be reached within 20 years, but as soon as two years.⁹⁷



The world is deadlier than ever for land and environmental defenders, with agribusiness the industry most linked to killings.



- July 24th, 2018 Global Witness Report⁹⁸

This runaway deforestation effect would release 200 million more tons of carbon into the atmosphere each year, worsening a climate crisis that Big Food companies like Cargill and JBS already fuel through their daily operations.⁹⁹ Indeed, a 2017 study found that the five biggest meat and dairy corporations in the world, including Cargill and JBS, are collectively responsible for more greenhouse gas emissions than either

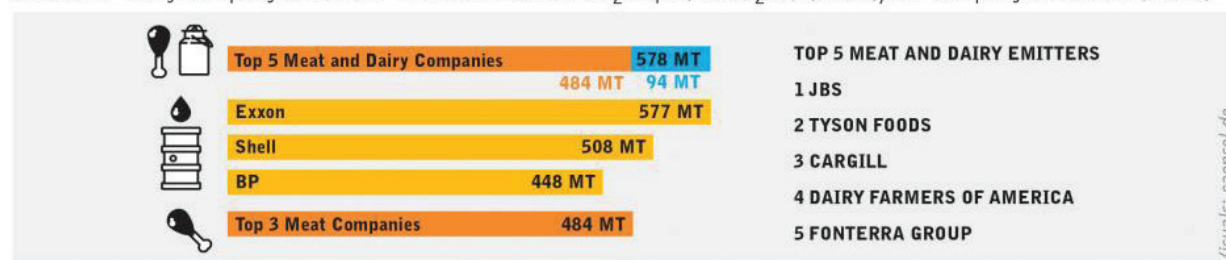
Exxon, Shell, or BP.¹⁰⁰ Yet, none of them even report their supply chain emissions, nor do any of the top 35 meat and dairy producers.¹⁰¹

A tragic irony of the kickback system is that it forces this generation of students who've been most engaged in fighting climate change to unwittingly underwrite some of the biggest climate culprits through the cafeteria operators at their schools. While the fossil fuel industry has received most of the attention of climate activists, the “fossil food” industry is gladly, quietly, and literally taking students' lunch money

Fig 6. The Big 3 are tied to the “fossil food” industry

THE TOP MEAT AND DAIRY CORPORATIONS EMIT MORE GHGs THAN EXXON, SHELL OR BP

Meat and Dairy company emissions in Million Tonnes CO₂ Eqv. (MtCO₂e) (2016); Oil company emissions (2015)



FACTSHEET **BIG MEAT AND DAIRY'S SUPERSIZED CLIMATE FOOTPRINT**

Carbon emissions of top meat and dairy producers compared to fossil fuel companies¹⁰²
[infographic from IATP + GRAIN]

The deforestation of the Amazon is a looming ecosystem crisis that would affect people on multiple continents.¹⁰³ But first and foremost, the Amazon is the home of hundreds of thousands of Indigenous people,¹⁰⁴ who are the key protectors of the rainforest.¹⁰⁵ The disappearance of the rainforest is a direct existential threat that is already being felt in the number of Indigenous activists who were killed for their resistance to an array of corporate incursions enabled by the administration of Brazil's President Bolsonaro.¹⁰⁶ A 2018 report by Global Witness found that conditions for land and environmental defenders in the Amazon and around the world have become even worse, “with agribusiness linked to the most killings.”¹⁰⁷

Other food suppliers to the Big 3 FMSC's have troubling records too. Tyson Foods, which is proud of its relationship with Aramark, Sodexo, and Compass Group subsidiary Chartwells,¹⁰⁸ has been forced to respond to accounts of shocking infringements on the rights of workers in their poultry plants. As documented in Oxfam's No Relief report, workers were prevented from leaving the slaughter line to go to the bathroom.¹⁰⁹



One of the ladies who works with me was pregnant,
and she was crying and walking out because our line
lead didn't let her go to the bathroom.



- Margaret, a worker at a Tyson Foods processing plant in Arkansas¹¹⁰

In addition to those suffering these indignities, low pay, and some of the most dangerous jobs in America, many of the 500,000 men and women who work in slaughterhouses and meat processing plants are silenced or exploited because of their immigration status, as the 2019 ICE raid of Koch Foods' poultry processing plant in Mississippi highlighted.¹¹¹ Koch Foods is one of the largest poultry processors in the country,¹¹² and supplies chicken to Sodexo.¹¹³ While Koch Foods is not as well known as some of its bigger competitors, the ICE raid was not the first time Koch Foods was in the news. A lawsuit settled the previous year required Koch Foods to pay \$3.75 million to Latinx workers who were subjected to sexual harassment, discrimination, and retaliation at that same plant.¹¹⁴

It should not be forgotten that FSMCs have their own labor issues as well. Together they employ over 1.3 million people worldwide¹¹⁵ in an economic sector (food chain employment) whose frontline workers in the U.S. are the lowest paid of all industries.¹¹⁶

Frontline workers employed by the Big 3 face many of the challenges that their peers in food service do as well as some unique ones. An investigative report about the dining operations of three prominent southern universities quoted Tacarra Davis. A former dining services worker at the University of Alabama, she was surprised to learn that because Aramark was actually her employer, she was not entitled to all the benefits, like free classes, that university employees enjoyed. Even working full-time, she only made about \$13,000 a year. "I spent six years and I didn't accomplish anything," Davis said.¹¹⁷

Furthermore, it is likely that cafeteria contractors' pursuit of kickback revenue has an impact on the quality of dining service jobs. In earlier sections, we illustrated how

strong incentives and punishments related to purchasing from preferred vendor lists was a pressure that could constrain the creativity and relationships that dining managers might otherwise experience. For frontline staff in dining halls and kitchens, kickbacks can mean handling more of the processed and packaged foods that are most associated with kickbacks—and that can mean a de-skilling of jobs. A report by the Real Food, Real Jobs project of UNITE HERE described workers' experience when Yale University decided to outsource their dining operations. Chef Stu Comen noted that when Aramark came in, "we went right to canned sauce, processed cheese, pizzas out of a box, and it was like, here we are, with our chef coats with our names on them, and we're opening up cans of sauce."¹¹⁸


The presence and strength of a union for dining service workers is a key factor in determining the conditions. Citing 2010 U.S. Department of Labor data, the Real Food, Real Jobs report noted that "workers that are represented by unions in the food service industry earn 26 percent more in wages than non-union workers, or approximately \$5,512 more a year."¹¹⁹ But gaining union representation is an uphill battle (only 15 percent of the Sodexo workforce was unionized in 2010, for instance).¹²⁰


“

I spent six years and I didn't accomplish anything.

”

- Tacarra Davis, a former Aramark worker
at the University of Alabama



COSTING CLIENTS AND VENDORS MONEY

At first glance, the kickback system might seem to provide a financial benefit to the colleges that are clients of FSMCs. After all, if FSMCs receive a discount on an order, logic follows that it would lower the cost of food to the institution. In fact, this is a claim made by food service management companies and their GPOs.¹²¹ Some institutions do receive the benefit of rebates, an arrangement that is actually mandated in the K-12 sector and is more common in the hospital sector.

However, there is good reason to treat this claim with great skepticism. Firstly, colleges and universities that contract with FSMCs rarely— if ever— know the true cost of the food in their dining halls. Regardless of the type of contract they have with their FSMC,¹²² the FSMC is always an intermediary between the institution on one side and food suppliers and distributors on the other. Even when food costs are reported by the cafeteria operator to the university auxiliary services, those costs do not identify the rebates associated with them, as the rebate itself is received and retained at the company's GPO within the headquarters, not by the client. That's why rebates are also referred to as "off-invoice rebates" or "sheltered" income.

“You have two things going on. What the consumer thinks they are paying and what they're really paying. All those volume discounts and rebates and kickbacks, that value doesn't come back to the local college or university.”

- Robert Volpi, Former Aramark Employee

As Robert Volpi, the former Aramark employee, put it, “You have two things going on. What the consumer thinks they are paying and what they're really paying. All those volume discounts and rebates and kickbacks, that value doesn't come back to the local college or university.” An interviewee quoted in *Institutions as Conscious*

Food Consumers said: “Welcome to the gray world...they keep the keys to the safehouse so guarded that no one will ever get in. [The GPOs are] the only ones who will ever know the true value” of the kickbacks.¹²³

Secondly, kickbacks give both FMSCs and the companies they source from an incentive to inflate their prices. Suppliers may actually mark up their prices in order to provide a larger kickback at the food service company’s request.¹²⁴ For example, a Sodexo account at a New England school paid the largest dairy producer in the area higher prices in exchange for larger kickbacks.¹²⁵ FSMCs then pass these costs on to their clients through higher meal plan prices, and consumers (the students and their families) end up paying inflated prices for food that should have otherwise cost less. Meanwhile, the FSMC is receiving a financial benefit without consumers knowing.¹²⁶

Thirdly, it is crucial to understand that the kickback system creates conditions for price inflation all along the supply chain, which is often quite complex. Chris Mountford, a former Sysco employee and founder of Cost Defender, described a situation in which rebates distort costs all along the supply chain from Dot Foods, the nation’s largest food “redistributor,” to Sysco, the nation’s largest food distributor, to Sodexo:

“What Dot [Foods] does is charge Sysco over and above what the actual price is, and then they will cut them a rebate check for that item. So, let’s say, when Sodexo goes in and they have a contract with Sysco that says we’re going to pay 5 percent above landed cost for canned goods. Well, Sysco has this invoice from Dot [Foods] that says they paid \$20 for this item when really the price was \$17, but they have an invoice. So they charge Sodexo the \$20 plus their 6 percent, and then they get a rebate from Dot [Foods] for the shelter money that they’ve agreed on.”¹²⁷

As a result, client institutions and their customers can end up paying kickback-inflated costs that are embedded in the supply chains of the biggest FSMCs.

The hidden costs of kickbacks are not just a problem for schools and students, but also for the smaller farms and food companies that attempt to work with the framework created by FSMCs. In a 2009 article from *In These Times*, a manager for a small produce company described the situation:

“Say you’re selling a case of apples at \$20 and you have to pay 15 percent sheltered income [or rebate] to Sodexo. So now you have a \$23 case that should be going at \$20. The price increase pushes the item off the menu. Now the food-service directors in the schools will use a

frozen item to substitute the fresh produce. They [Sodexo] squeezed hundreds of thousands of dollars away from us.¹²⁸ ”

This manager further affirmed that his company had no choice but to pay Sodexo rebates: “They own a lion’s share of the marketplace. If we were to give up the business, someone would be dying to jump in and take it.”¹²⁹

In deconstructing the claim that volume discounts automatically benefit FSMC clients, it’s also helpful to see how other apparent benefits of outsourcing cafeteria operations can be illusory. FSMCs can entice public clients by offering sizable capital investments. For example, capital investments offered to public universities are portrayed to governing boards as gifts for construction and renovation, but these capital investments may have to be paid back when they are tied to contracts.¹³⁰ Sometimes contracts are renewed because the public institution has to pay off the debt they owe to an existing food service company, not because the company is doing a good job. Administrators must mark up food and meal plan prices in advance to pay off the debts, so students are stuck with higher costs.¹³¹

As mentioned earlier, the carefully constructed secrecy around kickbacks, especially in financial documentation, makes it extremely difficult to prove exactly how often institutions of higher education are paying higher-than-necessary prices for lower quality food. What’s clear is that both the motive (the attraction of rebate revenue) and the means (the opaqueness of the system and the ability to bury them in the supply chain) exist, and the industry is likely serving itself far more than the communities in which it operates.





BUSINESS AS USUAL IS NOT AN OPTION:

RECOMMENDATIONS FOR A NEW WAY FORWARD





It's time to demand a different system. The stakes are high. The impacts of an increasingly privatized and kickback-driven supply chain may be invisibilized, but they are severe for so many communities, from Indigenous peoples of the Amazon to Black farmers in North Carolina, from processing plant workers in Arkansas to cattle ranchers in Colorado, from students in the food line to cafeteria workers on the frontline.

Business as usual is not an option, but real change is. Wherever student activists have been able to win and implement proactive procurement policies, we see a new food economy emerging that builds local resilience, advances racial justice, invests in the dignity of food work, and prioritizes ecological balance. (You can read about specific stories in our Real Food, Real Impact report.)

We should never forget that the profits of the college cafeteria industry ultimately comes from students and their families. It's time for these dollars to support community-based food systems, not the bottom lines of mega-corporations.

To effect this turnaround, Real Food Generation has joined forces with others who share our vision for the food system. The resulting Community Coalition for Real Meals is a multigenerational alliance of students, farmers, fishers, ranchers, food workers, environmental advocates, and global justice activists. We believe that every meal should make our communities stronger and that public-serving institutions like colleges and universities should enable the solutions. The cafeteria corporations they contract with can join this transformation or face increasing resistance from informed and organized communities.

Together, we are calling on Aramark, Sodexo, and Compass Group to:

PHASE OUT THE KICKBACK SYSTEM that reinforces the power of Big Food corporations and harms communities.

GIVE MARKET ACCESS TO COMMUNITY-BASED FARMS AND FOOD BUSINESSES by reaching a target of at least 25% Real Food sourcing in every higher education account.

INVEST IN RACIAL JUSTICE AND EQUITY by expanding purchasing from Black farmers and other disenfranchised producers and by investing in infrastructure to support their market access.

REDUCE both their carbon emissions and their purchases of factory-farmed animal products by 25 percent and replace them with Real Food alternatives.

These steps are the building blocks of the Real Meals Campaign, with a goal of putting close to \$1 billion each year to work for our communities. You can learn more about the plan, the campaign, and the coalition at www.realmealscampaign.org.

There are many ways to support the campaign and its goals. Below are recommendations for a range of stakeholders: **students, administrators, journalists & researchers, food workers & suppliers, public officials**, and **company shareholders**. While the bulk of recommendations relate specifically to Big 3-contracted operations, there are some that are relevant to any college or university with a dining operation and to other institutions (such as K-12 schools and hospitals).

FOR STUDENTS

The following is a rough sequence of actions you can take, each one building on the previous. To receive more specific guidance, contact info.unr@realfoodgen.org. Uprooted & Rising (UNR) is the community organizing arm of Real Food Generation.

GET INFORMED. Find out if your college or university has a cafeteria contractor. If it's not clear from the readily accessible sources, you could ask your school's auxiliary services.¹³² Filing a Freedom of Information (FOI)¹³³ request for the contract is an option if you attend a public school. If your school does have a contract with an FSMC (often called "food service provider"), try to find out if they have a list of "preferred vendors" and how much they are required to buy "on contract." Those last two pieces of information may be harder to discover. If dining staff are not forthcoming about their preferred vendors and compliance numbers, you can and should certainly find out when the dining contract expires, at which point multiple companies could bid on it. The lead-up to the bidding is when you have the most leverage to mobilize and make the biggest changes.

Accessing public records is your right!



MuckRock is a non-profit, collaborative news site that has guidance and resources for college journalists at: <https://www.muckrock.com/news/archives/2016/sep/02/college-journalists-guide-public-records/>



You can get state FOI templates for your state and sample state FOI letters from the National Freedom of Information Coalition: <https://www.nfoic.org/organizations/state-sample-foia-request-letters>



To find basic legal resources on state FOI laws, see the Reporters Committee on Freedom of the Press: <https://www.rcfp.org/open-government-guide/>

FREEING INFORMATION

MOBILIZE. Assemble a team to expose and challenge the inequities we have identified in this report. One individual can move a lot forward, but having a group of people, even if it's small to begin with, is necessary to build more capacity, gain visibility, and get the momentum needed to expose the Big 3. Reach out and bring together ally faculty, staff, local food suppliers, cafeteria line workers, community organizers and more.

PUSH YOUR SCHOOL IN THE RIGHT DIRECTION. If a contract is up for renewal or bidding in the next couple years, pressure your school to either contract with food service providers that have signed on to the Real Meals Campaign demands or transition to self-operated dining. Supporting the campaign or bringing food service operations in-house ("going self-operated") are both ways to signal that the corporate cafeteria industry must change.

FLIP THE SCRIPT. Substitute Real Food for Big Food. Whether you attend a school that contracts with the Big 3 or not, the larger goal of the Real Meals Campaign is to divest from Big Food and to remove the barriers keeping community producers from feeding their communities. Call on your school to invest in community food systems and to shift institutional food purchasing to independent small scale and minority food producers. Pressure your school to immediately divest from Big Food corporations implicated in serious human rights violations and negligent environmental contamination.

JOIN UPROOTED AND RISING (UNR). Uprooted and Rising is a super majority Black, Indigenous, and people of color movement to end higher education's support for Big Food corporations and white supremacy in the food system, and direct the energy of our generation towards food sovereignty. UNR can provide coaching to anyone interested in starting a campaign.

CALCULATING REAL

The Real Food Calculator is a revolutionary tool students use to assess their campus' dining purchasing against the Real Food Standards.

The Calculator is still the first and only web application of its kind — students collect invoices from their school's dining manager, research the invoice line items against our Standards, and input their research into our Calculator application, which analyzes their campus' purchasing patterns.

As of early 2020, over 1,000 student researchers at 200+ institutions have researched over 570,000 unique food products, amounting to over \$445,205,283 in campus food budgets researched.

LEARN MORE AT:

<https://www.realfoodchallenge.org/real-food-calculator/>

Most of the bananas that Americans eat are sold by a few mega-companies in an industry that is notorious for its low pay, toxic working conditions, and human rights abuses.¹³⁴

Students at the University of Vermont wanted to replace the typical Dole and Chiquita plantation-grown bananas with ones that provided real benefits to the communities that grew them. They worked with Equal Exchange¹³⁵ to source bananas from farmer-owned cooperatives in Peru and Ecuador, and they partnered with a local distributor, Black River Produce, to ripen the fruit. UVM's commitment to buy authentic fair trade bananas had positive local impacts and has returned significant "social premiums" to the farmers and their communities.¹³⁶

**REAL FOOD
NOT BIG FOOD**

FOR JOURNALISTS AND RESEARCHERS

The food service management industry tends to fly under the public's radar, despite the fact that the Big 3 cafeteria corporations are as big as many well known food retailers. Given how widespread and consequential they are, they deserve far more scrutiny. In particular, more investigation and reporting is needed on the following topics. For more information, contact: info@realmealscampaign.org.

IMPACTS ON WORKERS. More research would help to identify how widespread the problem of de-skilled cafeteria jobs is and how much is correlated with a kickback-driven business model that favors processed foods over fresher ingredients.

THE TRUE COST OF FOOD. Given the incentive and the means to do so, how often are FSMCs and food distributors charging clients more than they should for lower quality ingredients? How do dining services with successful local and sustainable sourcing programs balance their revenues and costs?

In 2001, the Yale Daily News published findings from a month-long investigation into their cafeteria provider at the time, including a review of invoices:¹³⁷

"A comparison of similar produce products from Sysco Corp., Aramark's primary produce provider and one of the largest food distributors in the world, and Fowler-Hunting Co., a local produce provider, revealed that Sysco produce purchased by Aramark was, on average, 20 percent more expensive than Fowler-Hunting produce."

**SHINING
A LIGHT**

FOOD INSECURITY ON CAMPUS. College meal plan prices have increased significantly over the last decade.¹³⁸ Those high prices put meal plans beyond the reach of some students¹³⁹ while locking others into meal plans that don't give them the quality or nutrition they need (as discussed earlier). Many students are forced to pay for meals they don't even use.¹⁴⁰ To what degree does each of these phenomena contribute to the high rate of student food insecurity that has been documented across the country — approximately 45 percent in a 2018 national survey?¹⁴¹ And how much can rising meal costs be attributed to rebate-inflated food prices? How much can they be attributed to an attempt by the Big 3 to re-coup costs from large capital investments, commissions, and signing bonuses that increasingly help them lock in long-term contracts? (As food service consultant Tom MacDermott noted in a New York Times article, "When you keep tacking on this stuff, the cost of the plan goes up."¹⁴²) Finally, what are creative and systemic ways to address these problems?

FOR SCHOOL ADMINISTRATORS

INVESTIGATE. With the layers of rebates built into the food distribution chain, it behooves schools in K-12 and higher education to make sure that the value of those rebates is coming back to you and that they aren't standing in the way of other priorities. An outside auditor, like the one that assisted the Yukon School District in Colorado, may be needed. An audit of contracts and invoices is easier when dining services are self-operated, a fact which underscores the importance of the points below.

AUDITING PAYS OFF

In 2016, Chris Mountford, a former Sysco employee and an investigator with the company Cost Defenders, suspected that his former employer might be overcharging the Yukon Public Schools district in Oklahoma. After working with Mountford to audit their invoices from Sysco (the nation's largest food distributor) Yukon Public Schools filed a lawsuit in Oklahoma federal court.

In 2018, a settlement worth more than \$700,000 was reached.¹⁴³




BRING OR KEEP DINING SERVICES IN-HOUSE. While the outsourcing of university functions, including dining services, has been a growing trend in the last decade, there is a counter-current that holds important lessons. Citing the control and flexibility they gain, as well as the opportunity to retain all the potential profits from dining services,¹⁴⁴ a building wave of schools are choosing to revert to a self-operated dining model after unsatisfactory

outsourcing experiences. Ithaca College¹⁴⁵ is one of the most recent to join Yale University, Sewanee (the University of the South), and the University of California, Santa Cruz in ditching their cafeteria contractor. And many more, from the University of Montana to the University of Georgia, have long resisted moves to outsourcing. It's important to note that going self-operated doesn't have to mean going it alone. Self-operated dining programs can benefit from bulk buying by joining or creating group purchasing organizations with greater transparency and accountability to them.

In 2011, the University of the South, commonly known as Sewanee, decided not to continue their food service contract with Aramark and transitioned to a self-operated model with the help of food service director Rick Wright. With Aramark, Sewanee was "serving food from boxes or cans and cooking potato pearls instead of real potatoes" and had no local food purchases.

They now source 80% of their greens locally and support the Sewanee food hub. And they did it while also raising cafeteria workers' wages.¹⁴⁶

BREAKING UP WITH THE BIG 3



LEVERAGE YOUR POWER. If outsourcing is unavoidable or if a contract is already in progress, new Requests for Proposals (RFPs) or amendments to ongoing contracts can be made much stronger: develop extremely strong contract or RFP language to eliminate compliance numbers for dining staff and ensure a significant percentage of purchasing from Real Food sources; shorten the term of the contract so that it can be renegotiated or dropped more easily; don't tie the contract to big investments in infrastructure; include strong protections, such as living wages and tuition benefits, for dining service workers in the contract.

USING RFPs STRATEGICALLY

The University of Vermont signed the Real Food Campus Commitment in 2012, but Real Food percentages stalled at 12 percent until students and staff wrote Real Food specifications directly into the food service RFP and the eventual contract with Sodexo before it was renewed in 2015.

Following that strategic move, the school reached their Real Food target 3 years ahead of schedule and is now aiming for 25 percent.



PARTNERING TO PRESERVE INFRASTRUCTURE

Yellowstone Grassfed Beef (YGB) is a collaboration of Montana ranchers that are committed to increasing soil fertility through holistic land management.

When the University of Montana's dining services — which are self-operated — committed to moving their beef purchases away from conventional suppliers towards more local sources, they teamed up with YGB. The university's commitment was critical in helping YGB to get off the ground and expand. In turn, YGB's dedicated business helped to preserve a nearby family-owned processing plant at a time when many others in the state were closing.

By building an alternative to the Big Food supply chain, YGB and the university were able to invest in the economic and ecological health of its community

YGB shared their story in our "Real Food, Real Impact" report. The story underscores the value of maintaining and building local food infrastructure, a point echoed by the Barkers below.



FOR FOOD WORKERS AND SUPPLIERS (FARMERS, RANCHERS, FISHERS, AND FOOD DISTRIBUTORS)

For each of the following, contact info@realmealscampaign.org.

SPREAD THE WORD. The kickback system has thrived in the shadows. Shining a bright light on it and its consequences as well as the movement to address them will help to accelerate the change. Share this report. Highlight the Real Meals Campaign on social and traditional media. Invite the campaign to present at a gathering.

SHARE YOUR STORY. Have you been personally impacted by unfair or opaque practices of the cafeteria industry? Or perhaps you envision greater resilience in your community that aligns with the Real Meals Campaign. Either way, your story—either anonymous or public—can help the campaign illustrate the change we are seeking.

JOIN THE COMMUNITY COALITION FOR REAL MEALS. The Coalition welcomes new member organizations who can contribute some time and skills to create better opportunities and conditions for food producers and food workers. We also invite individuals to endorse the campaign and to stay in touch with us.

Phillip and Dorathy Barker, farmers from North Carolina, talked about their 40 years in the dairy business in a video for the Real Meals Campaign. In the video, Phillip Barker said:

“We’re asking companies to invest in the infrastructure. That’s what’s missing in our community. Without that investment it kind of keeps Black farmers behind. What we have to do is continue to build our power to insist that the Big 3 make some changes, because the next generation shouldn’t have to take on these battles.”

You can find the video at:

twitter.com/RealMealsNow/status/1177205417807683585

**A FARMER CALLS
FOR EQUITY AND
SOLIDARITY**

FOR PUBLIC OFFICIALS

INVESTIGATE. With supply chains as complicated, opaque, and potentially lucrative as those with privatized food services, guardians of the public interest need to exercise rigorous oversight. Committee hearings, like the one Senator McCaskill chaired in the U.S. Senate are one tool. Making sure whistleblower protections are strong is another, as are attorney general driven investigations.

HOLD BIG FOOD ACCOUNTABLE AND LEVEL THE PLAYING FIELD.

Investigate and/or sanction bad actor agribusinesses that contract with the Big 3.

Repeal “Ag-gag” laws and so-called “Right-to-farm” laws. Effectively track Facilitate the creation of community land trusts and worker-owned cooperatives. Direct state and local procurement .

In 2015, Attorney General Karl A. Racine announced a \$19 million settlement between the D.C. Public Schools and Chartwells resulting from a lawsuit alleging that the company overcharged them for food.¹⁴⁷

“I hope that my lawsuit against Chartwells and the settlement announced today will help improve the food programs for D.C.’s school children, which has always been my goal... The issue of private food vendors prioritizing profits over the well-being of students is a national concern...I urge all school districts using private food vendors to examine their contracts and the performance of those vendors.”

-Jeffrey Mills former executive director of the school system’s Office of Food and Nutritional Services

**PUBLIC
SERVANTS
STEP UP**

PUTTING PUBLIC DOLLARS TO WORK

First adopted by the City of Los Angeles and the LA Unified School District in 2012, the Good Food Purchasing Program is a municipal counterpart to the Real Food Challenge.

It encourages large public institutions to direct their purchasing power to local economies, environmental sustainability, valued workforce, nutritional health, and animal welfare. As of May 2020, it has been adopted by city councils or school districts in Los Angeles, Oakland, San Francisco, Chicago, Cook County, IL, Washington DC, Austin, Boulder, Denver and Boston.

FOR SHAREHOLDERS

DEMAND TRANSPARENCY. The annual SEC filings for each of the Big 3 make almost no mention of rebates. Shareholders should know what management is doing, where profits are coming from, and how they can hold the companies accountable to their claims of social responsibility.

ENDNOTES

- 1 The 7.5 million meal estimate is derived from the approximate number of students who live in dormitories (from 2010 census figures at https://www.census.gov/content/dam/Census/library/publications/2013/dec/2010_cpex_243.pdf) multiplied by three meals a day. Even though not all students who live in dormitories eat 3 meals on campus, this estimate likely undercounts the total number of meals because it does not include the over seven million students in two-year colleges who would likely eat at least one meal a day on campus. The six million meal estimate also does not take into account the roughly 10 million graduate students who might eat a meal on campus. Population figures for students come from: https://nces.ed.gov/programs/digest/d11/tables/dt11_248.asp
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- 4 The Real Food Challenge collaborates with other initiatives aimed at improving the fairness and sustainability of institutional purchasing that promote specific targets and standards. They include the Good Food Purchasing Program, which focuses on municipalities (<https://goodfoodpurchasing.org/>) and Health Care Without Harm, which focuses on medical facilities (<https://noharm.org/>).
- 5 Based on our calculations using 247 randomly sampled 4-year colleges and universities, about 81 percent are contracted with an FSMC.
- 6 Food Service Management Contracts: Are Contractors Overcharging the Government?: Hearings before the Committee on Homeland Security and Government Affairs, Senate, 112th Cong. 1 (2011, October 5) (Testimony of John Carroll). Retrieved April 20, 2020 from <https://www.hsgac.senate.gov/imo/media/doc/CarrollTestimonySCO105110.pdf>
- 7 Former FSMC employee who wished to remain anonymous, personal communication, December 6, 2017.
- 8 Food Service Management Contracts: Are Contractors Overcharging the Government?: Hearings before the Committee on Homeland Security and Government Affairs, Senate, 112th Cong. 1 (2011) (Testimony of John Carroll).
- 9 Ibid.
- 10 The three largest food service management corporations combine higher education and K-12 education into one “Education” line in their annual reports. Aramark: https://last10k.com/sec-filings/armk#link_fullReport
Sodexo: https://www.sodexo.com/files/live/sites/sdxcom-global/files/PDF/Finance/20191121_Sodexo-Fiscal-2019-Universal-Registration-Documents_EN.pdf
Compass: <https://www.compass-group.com/en/investors/annual-reports.html>

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- Taking a broader view, according to Good Jobs First's Violation Tracker, these companies have accumulated over \$104,237,067 in labor related violations since 2000 — ranging from employment discrimination to workplace safety and health violations. Retrieved April 27, 2020 from <https://www.goodjobsfirst.org/violation-tracker>
- 12 Greaves, Elanor. (2015, February 2). Sodexo faces national attention over animal cruelty. *The Commuter*. Retrieved April 23, 2020, from www.ncccommuter.org/sodexo-faces-international-attention-over-animal-cruelty/
- 13 American Friends Service Committee. (2019, 25 November). A US-based company that provided food service, facilities management, and uniforms globally. Provides food and other logistical services to prisons and uses prison labor. *AFSC Investigate*. Retrieved April 27, 2020 from <https://investigate.afsc.org/company/aramark>
- 14 Fisher, A., & Jayaraman, S. (2017). *Big Hunger: The Unholy Alliance between Corporate America and Anti-Hunger Groups*. Cambridge: The MIT Press. muse.jhu.edu/book/51873
- 15 Graceffo, Loretta. (2019, Nov 2). Inside Sodexo's Relationship with the Private Prison System. Retrieved from http://www.thepauwow.org/news/inside-sodexo-s-relationship-with-the-private-prison-system/article_9517c1b4-fb55-11e9-b226-1797ad91a09a.html
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- 17 A recent example comes from Georgetown University, whose Aramark-employed dining hall workers are part of the UNITE HERE union and won important concessions in their new contract. See: Goetzman, Charlie. (2019, April 17). Aramark, Food Service Workers Reach Tentative Contract. *The Hoya*. Retrieved from <https://thehoya.com/aramark-food-service-workers-reach-tentative-contract/>
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- 23 FM 2016 Top 50 Data Table. (2017, May 16). Retrieved November 6, 2019, from <http://food-management.com/top-50-listings/fm-2016-top-50-data-table>
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29 Sawson Gholami, personal communication, October 12, 2018

30 Komisar, Lucy. (2009, March 3). Cafeteria Kickbacks. *In These Times*. Retrieved July 13, 2016 from http://inthesetimes.com/article/4282/cafeteria_kickbacks.

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32 Robert Volpi, personal communication, April 6, 2018

33 Aolani Peiper, personal communication, October 4, 2018

34 This perception comes from several sources: (1) The former New York State Attorney General, John Carroll, described kickbacks as revenue after his extensive investigation (see his Congressional testimony). (2) One of the terms used within the food service industry for kickbacks is “sheltered income.” This term shows up in pitches for software being sold to manage those deals and in the casual online dialogue of food service professionals (see InsideFood forum). To be clear, many of these professionals appear to work for food service distributors, not necessarily food service management companies, but we were informed that the dynamics of kickbacks are similar at both of these stages in the food chain. (3) The fact that kickbacks are associated with a significant profit center, as the rest of this section shows, helps to explain why they command so much internal attention.

35 Former FSMC employee who wished to remain anonymous, personal communication, December 6, 2017.

36 The fact that kickbacks contribute greatly to net profit is quite plausible given the relative cost of securing this source of ‘revenue’ compared to other, more traditional sources, such as earning fees from the operation of a cafeteria. As journalist and author Ed Bruske wrote in a 2011 article in *Common Dreams*: “Rebates are extremely lucrative, since they generate revenue that requires virtually no labor.” Bruske, Ed. (2011, October 18). Finally Revealed: Processed Food Rebates Dominate School Cafeterias. *Common Dreams*. Retrieved from <https://www.commondreams.org/views/2011/10/18/finally-revealed-processed-food-rebates-dominate-school-cafeterias>

37 People who work in other food service-connected companies, such as food service distribution and technology for food service, have also echoed the importance of kickbacks as a

profit-center. As she pitched her company's software to food service distributors, for instance, Brenda Spanier of AFS Technologies, said "We all know that most of our profit is coming from the deals. That's where this business is."

38 From a contributor the InsideFood online forum: "This is the most bass-ackwards business I have ever encountered. The 'success' of a product has everything to do with what it/the vendor brings to the bottom line, and nothing to do with how the customers feel about it."

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