

USDA/FNS/Food Distribution

Project No. 2 (Completed)

Project No. 2: Limited Substitution
State Partner: Colorado
Industry Partner: Gold Kist, Inc.

Reference: To view and/or download an executive summary report on the poultry pilot projects for the State of Colorado, click on the following Food Distribution Web Site link:
www.fns.usda.gov/fdd/fd2000/rpts/CO-ExecSum.pdf.

Scope: The concepts of the pilot may be implemented nationally in accordance with USDA procedures and regulations; and as agreed upon by the processor and recipients.

Background:

1. Guaranteed minimum yield (GMY): Schools typically receive “extra” processed product due to the GMY requirement that processors must meet. If a processor under yields then they must reimburse the district for the meat cost and if the processor yields higher, then the district takes the “extra” finished goods. Neither recipients nor processors like the under yield and “extra” product creates problems for districts.
2. Production and Distribution: When commodities are processed, the end products are segregated from regular commercial production and distributed either through the State commodity system or distributed directly to school districts when available.
3. Product ordering, distribution, and menuing: Districts receive their commercial chicken products through one-system and commodity products through another. Menu disruptions occur.

Concepts Tested:

1. Standard yield – each truck of bulk chicken will be required to yield 63% boneless meat.
2. Seamless production, ordering, distribution and menuing – The districts participating in the pilot placed the Gold Kist chicken items offered on the pilot on their distributor bids at the beginning of the school year. The commercial distributor that won each district’s bid for the Gold Kist product brings the product in when ordered by the school district. Product is ordered just in time, demand basis throughout the year.
3. Rebate value-pass-thru system. The schools apply for their rebates on a monthly basis through an internet-based website.

Process Description:

1. State Distributing Agencies (SDAs) allow pilot districts to request total pounds of bulk chicken to divert to Gold Kist.
2. Based on pounds diverted and products requested, the pounds are converted into total cases by product code.
3. The schools release bids to their regular commercial product distributors and bids for the processor's commodity product and commercial equivalent supplied by the processor are identical. Either one or the other must be available.
4. On a monthly or weekly basis, districts order processed chicken products through their commercial distributor.
5. On a monthly basis, the pilot schools file for their rebates through the Internet. Each school was assigned a password and it reflects how many cases are in each school’s account. This account is reduced each time a school files for rebate.
6. The processor monitors rebate applications to make sure a school does not file for more rebates than authorized.

7. All four products available have the same standard yield, weight, price and rebate. The same per case fee for service option is also available.
8. Product may be distributed through a state warehouse, proprietary warehouse or commercial distributor.

Status:

Substitution and standard yield are available to processors on a USDA approval basis and define AMS certification operations and processing reporting.

Rebate is an authorized value pass thru system; the system is defined by the processors and established as a part of the agreement between the processor and contracting party.

Further information and assessment reports are available upon request from the following stakeholders:**State Distributing Agency:**

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Last Updated: 04/21/2003