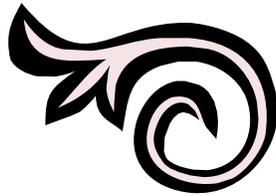


FD-101 for Processors

ACDA Conference

April 5, 2008

Kansas City, MO



Anna Pontoni, McCain Foods
Session Presider



Presenters:

John Purcell, K12 Foodservice, Inc.

Sherry Thackeray, USDA FNS FDD

Mike Birkmeyer, MD DOE

Peggy Cantfil, USDA FNS FDD

Pam Fleming, Fox River Foods Distributor

Program History & School Lunch



John Purcell
President
K12 Services, Inc.

History of Donated Food Program

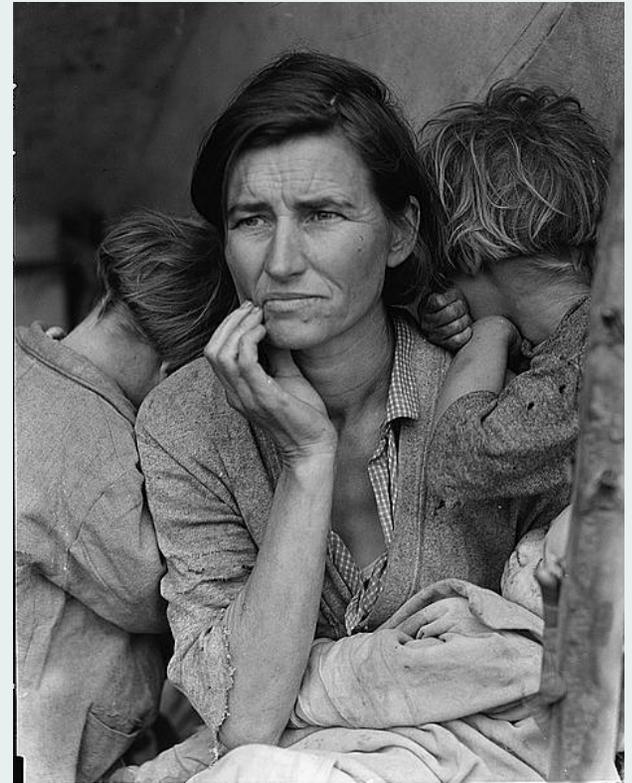
Supply Outpaced Demand



The Great Depression



Foraging for food in a city dump in Dubuque, Iowa where produce houses dumped apples, grapefruit, and other produce. April 1940



Destitute peapickers in California; a 32 year old mother of seven children. February 1936

History of Donated Food Program

Legislation Introduced



Public Law 72-320, Section 32

- 1935 Federal response to the Great Depression in production agriculture
- 30% of import customs duty collections are diverted to the Department of Agriculture October 1 of each fiscal year
- Purpose is to support domestic origin agricultural commodities
- Estimated value between \$5 billion and \$6 billion unappropriated funds.

History of Donated Food Program

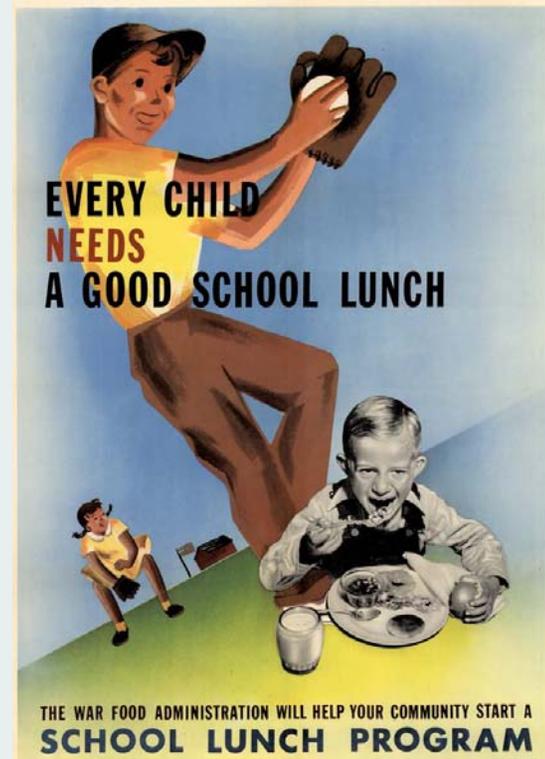
What Do You Notice About the Picture?



Support for School Lunch Programs before 1946



Five cent hot lunches are served at the Woodville Public School in Greene County, GA. 1941



WPA propaganda poster supporting school lunch programs. 1944

History of Donated Food Program

First Formal Appropriations for School Lunch

1946 National School Lunch Act

- Signed by President Truman on June 4, 1946
 - Response to the number of men enlisting for service during World War II that had nutrition-related problems which kept them from serving in the military
- An entitlement program that could serve 55+ million eligible 5 to 18-year-olds
 - 29 million lunches currently served per day
 - USDA also made available \$1 billion in a variety of domestic commodity foods
 - President Bush recently signed the re-authorization of the 1946 Act for five years.
 - If the appropriation is not passed, the USDA does not have money to make purchases



Donated Food Program

First Formal Appropriations for School Lunch



- Districts receive .1725 cents per free and reduced meal served (ADP Average Daily Participation) earmarked for commodity purchases
- State Distribution Agencies (DA) is the Administrator for the Commodity program
- States interpret the Federal Regulations differently
 - They operate their programs differently from state to state
- The 12% Provision

Traditional Processing



Truck in truck out

- High storage costs
- Unknown delivery dates
- Menu uncertainty
- Increased commercial purchases



Food Distribution 2000

USDA Conducts Business Process Re-engineering



GOAL: Work with states to test the seamless commodity distribution concept

“The seamless concept involves schools ordering and receiving commodities from the same entities they now get their commercial products from -- normally distributors. USDA would purchase commodities as it does now, and deliver them to companies designated by a school district. The ordering and delivery of products by schools would be “seamless” regardless of whether it is a commodity product or commercial product.”

Source: www.fns.usda.gov/fdd/fd2000/fd2rpts.htm

Federal Regulations In Support of Change

New Opportunities! Substitution Has Made It Possible!



Federal Register Final Rule issued on October 23, 2002

- Permanent Limited Substitution of Poultry and Full substitution of donated foods with the exception of beef & pork.
- Created efficiencies for manufacturers and commercial distributors. Normally stocked items could now be used to fulfill commodity orders. Children see the same product.
- Beef & Pork can be substituted on a limited basis with a FNS/AMS approved program.
- This has generated increased interest in processing from manufacturers, distributors and schools!

Traditional USDA Purchase



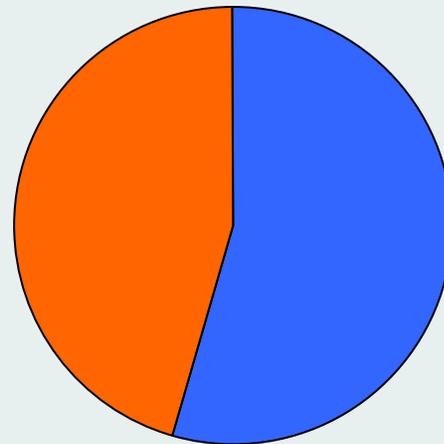
The New USDA Purchase



Size of the market



55 Million children in the United States between 5-18 years old.



■ Children Eating Commodity Food at Lunch (30 million)

■ Children not Eating Commodity Food (25 million)

A Poultry Example



- Selling opportunities
- USDA meal support equal to 3oz. per student
- $3\text{oz} \times 30,000,000 / 16\text{oz} = 5,625,000 \text{ lbs}$
 $5,625,000 / .60(\text{bone-in}) = 9,375,000 \text{ lbs}$
- 36 serving days/year
 - = 337,500,000 raw bone-in
 - = 9,375 truck loads

A Poultry Example



- Under served population estimated at 25 million per day
 $7,812,500 \times 36$ serving days
 $= 28,250,000 / 36,000$
 $= 7,813$ truck loads
- $7,813 / 9,375 = 17,188$ to serving one serving/child once a week for 36 weeks of school
- If chicken is served once and turkey is served once the opportunity is 34,276 trucks of poultry that could be processed under USDA AMS grading service

Federal, State, Local Education Agency Policy Shifts



- **Federal**
 - Food Distribution 2000
 - 12% of cash (4&11 funds)
 - Farm Bill
- **State**
 - State legislation nutrition standards
- **LEA: Local Education Agency**
 - Outsourcing Contractors
 - Nutrition
 - Cost Benefit Analysis
 - Tax Limitation

ACDA 2008



- **School Foodservice Operators**
 - Management Companies
 - ✦ Sodexo, ARA Companies, Nutrition, Inc.
 - GPO: Group Purchasing Organizations
 - ✦ HPS, Summa
- **Food Service Management Companies**
 - 20% Penetration
 - Commercial supplies through commercial distributors
 - New federal procurement rules give advantage to FSMC
- **Group Purchasing Organizations**
 - Purchasing expertise
 - Large buying volume (multi-billion dollars/year)
 - Novations Summa - \$31 billion in 2006

Program History & School Lunch



Questions?



USDA

Who are we?



SHERRY THACKERAY
PROGRAM ANALYST
USDA FNS FDD HQ

Organization of Special Nutrition Programs



USDA, FOOD AND NUTRITION SERVICE (FNS)
Roberto Salazar, Administrator

SPECIAL NUTRITION PROGRAMS (SNP)
Eric Steiner
Associate Administrator

SPECIAL NUTRITION PROGRAMS (SNP)
Ron Vogel
Deputy Associate Administrator

CHILD NUTRITION DIVISION (CND)
Cindy Long, Director
NSLP, SFSP, CACFP, School
Breakfast, Special Milk,
Team Nutrition

FOOD DISTRIBUTION DIVISION (FDD)
Cathie McCullough, Director
Commodities for
School Programs, TEFAP,
CSFP, FDPIR,
Disaster Commodities

FOOD SAFETY UNIT
Brenda Halbrook, Director
Food Safety, Holds/Recalls,
Biosecurity,
Food Safety Education

Supplemental Food Programs Division
Patricia Daniels, Director
WIC, Farmers' Market &
Senior Farmers' Market
Nutrition Programs

Food Distribution Division



Cathie McCullough
Director
FDD



Laura Castro
Chief
Policy Branch

LEGISLATION
REGULATIONS & POLICY



Peggy Cantfil
Chief
Operations Branch

FOOD ORDERING
RECONCILIATION OF
ENTITLEMENT
PROCESSING



Rosalind Cleveland
Chief
Program Support
Branch

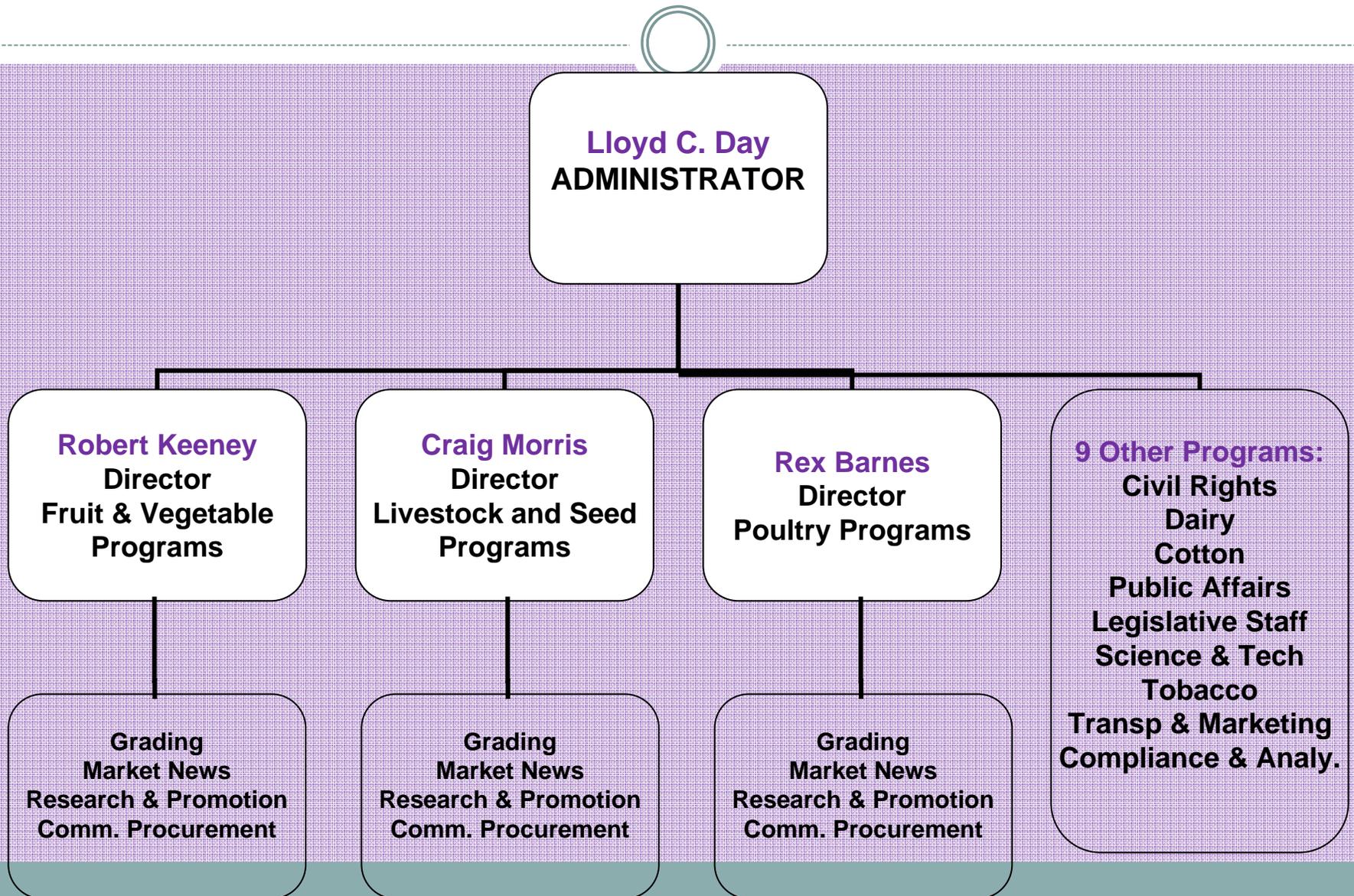
TRAINING
DISASTER FEEDING
DoD FRESH (SCH & FDP
COMMODITY COMPLAINTS
NUTRITION ISSUES,
FACT SHEETS, NEW PRODUCTS
SPECIAL PROJECTS



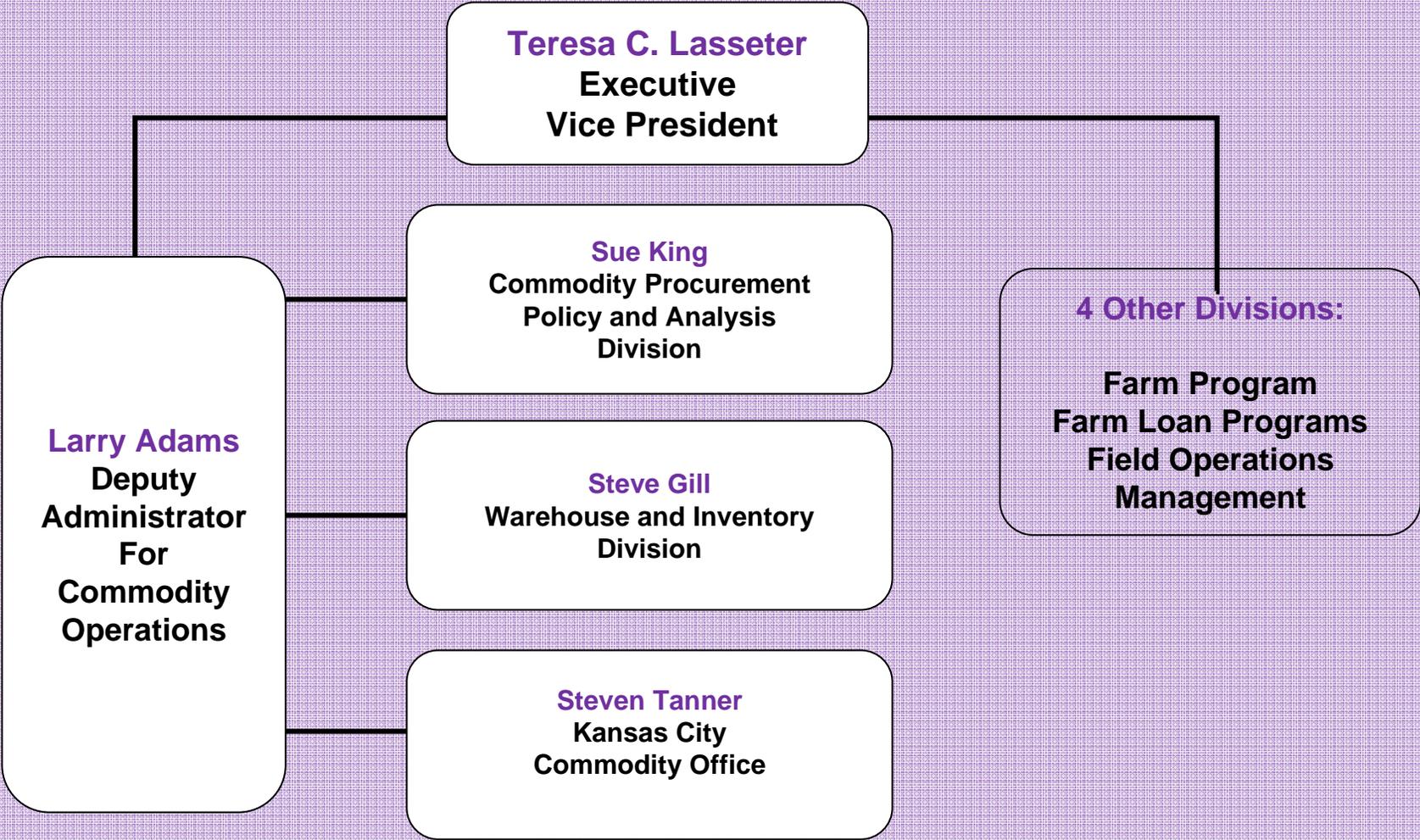
Dennis Sullivan
Chief
Systems Branch

ECOS/PCIMS
REPLACEMENT SYSTEM
FOR PCIMS
BONUS PRODUCTS

Agricultural Marketing Service



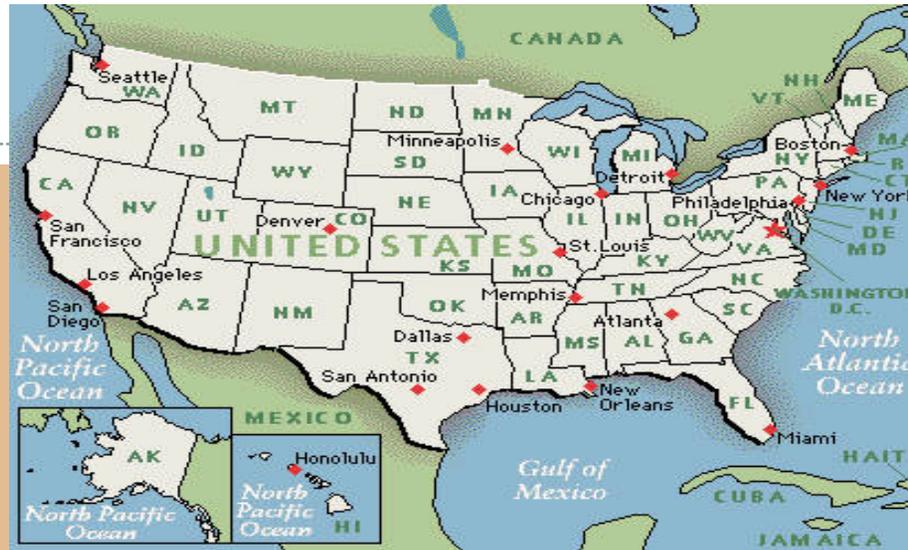
Commodity Credit Corporation





Questions?

State Distributing Agency (SDA) Performance Standards



Mike Birkmeyer, Section Chief
Food Distribution Section
School and Community Nutrition Programs
Maryland Department of Education

Commodity Reform Act of 1987



Mandated Minimum

State Performance Standards



State Standards



- **National uniformity**
- **Customer service**
- **Access to ordering options and processing**
- **Regs (7 CFR 250.24) published 1988**

WHY ARE STATES DIFFERENT?



- **Interpret Regulations Differently**
- **Different Departments In Each State**
- **Local Laws and Policies**
- **What Works Best For State**

250.24(a) Program Management & Evaluation



- **Assess the adequacy of the service provided to recipients, i.e., customer service to schools:**
 - **Commodity offering & ordering procedures**
 - **Warehousing & distribution system**
 - **Processing program**
 - **ALL Districts have access to commodity to meet planned assistance level.**

250.24(c) Fiscal Responsibility



- **Financial Management System**
- **Funds Accountability System**
- **Record Keeping System**

250.24(d) Ordering and Allocation



- **On an equitable basis;**
- **In the types & forms most usable;**



WHY ARE STATES DIFFERENT?



- **State Procurement vs School Procurement**
- **State Distribution vs Contract Distribution**
- **Choice vs Push**
- **ECOS/State Systems**

250.24(d) Ordering & Allocation:



Ten basic provisions...

1. Obtain and *use* commodity acceptability info when ordering
 - ✦ Advisory Council
 - ✦ Prior historical pull rates
 - ✦ Real-time actual request from all RA's
2. Provide "info" on commodities available

250.24(d) Ordering & Allocation:



Ten basic provisions...

3. **Commodity assistance level info:**
 - **Planned assistance levels & commodity values**
 - **Separate bonus & entitlement commodity value**
 - **Report entitlement balances**
4. **Order and allocate based on participation data**

250.24(d) Ordering & Allocation:



Ten basic provisions...

- 5. Order commodity quantity and timing as requested.**
- 6. Permit changes to orders.**
- 7. Permit refusals prior to delivery.**
- 8. Provide ordering options, bulk for processing, fruit sliced/halves, etc.**

250.24(d) Ordering & Allocation:



Ten basic provisions...

9. Offer the per-meal rate
10. Consider preparation and storage capabilities...how much can they handle?

WHY ARE STATES DIFFERENT?



- **Level of Processing Program**
- **Truck Fill Requirements**
- **Administrative Fee vs Commodity Value**

250.24(e) Warehousing & Distribution



- 1. Efficient, cost effective & responsive**
 - Backhauling NOT effective and costs schools money
- 2. Permit direct delivery**
 - Facilitate ordering partial trucks
- 3. Solicit info re: RA needs**
- 4. Distribution schedules that are equitable and meet RAs' needs**
- 5. Deliveries AT LEAST MONTHLY...**
 - Weekly, bi-weekly, etc...**

250.24(f) Disposition of damaged or out-of-condition commodity.

- **State system for handling complaints**
- **Notify USDA of any losses**
- **Arrange for the replacement of lost commodity**

250.24(g) Processing



- **Administer an “acceptable” program**
- **Inform RA’s of processing options**
- **Test end products**
- **Monitor product acceptability**

PROCESSOR EXPECTATIONS

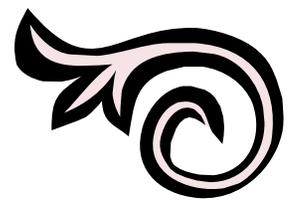


- **Consistent Approval Process**
- **Decision Maker Contact Information**
- **Allocation Information**
- **Resource**

STATE EXPECTATIONS



- **Adhere to SPA**
- **Complete, Accurate, TIMELY**
Monthly Performance Reports
Processing Show Participation
Customer Satisfaction

 Break 



10 MINUTES