

ACDA ANNUAL CONFERENCE

Coming Together to Nourish the Nation



April 21 - 24, 2024
Marriott St. Louis Grand
St. Louis, Missouri

Processing 202

Today's Moderator

Carole Erb
Co-Chair, ACDA Processing Committee
Executive Director,
Education and Governmental Sales
J.T.M. Food Group



Today's Speakers



Ed Herrera
J.T.M. Food Group
Regional Sales Manager



Christine Farmer
Ohio Department of Education
and Workforce
USDA Foods Program Specialist

Panelists



Stephanie Ewing
Chief
Governmental
Officer
GS Foods Group



Alicia Arnett
Coordinator Food
Procurement
Jefferson County
Public Schools
Kentucky



Carrie Robinson
Manager, Food
Distribution
Program
California Dept. of
Education



Cheri Schneider
Director, K-12 &
USDA Foods
Programs
Pilgrim's Pride

Learning Objectives

Deeper Dive

- The role of the EPDS/SEPDS
- Value Pass Through Methods
- Calculating Allocations and Diversions
- Months on Hand Inventory
- Roles and Responsibilities
- End of Year/Transfers
- Order Timeline



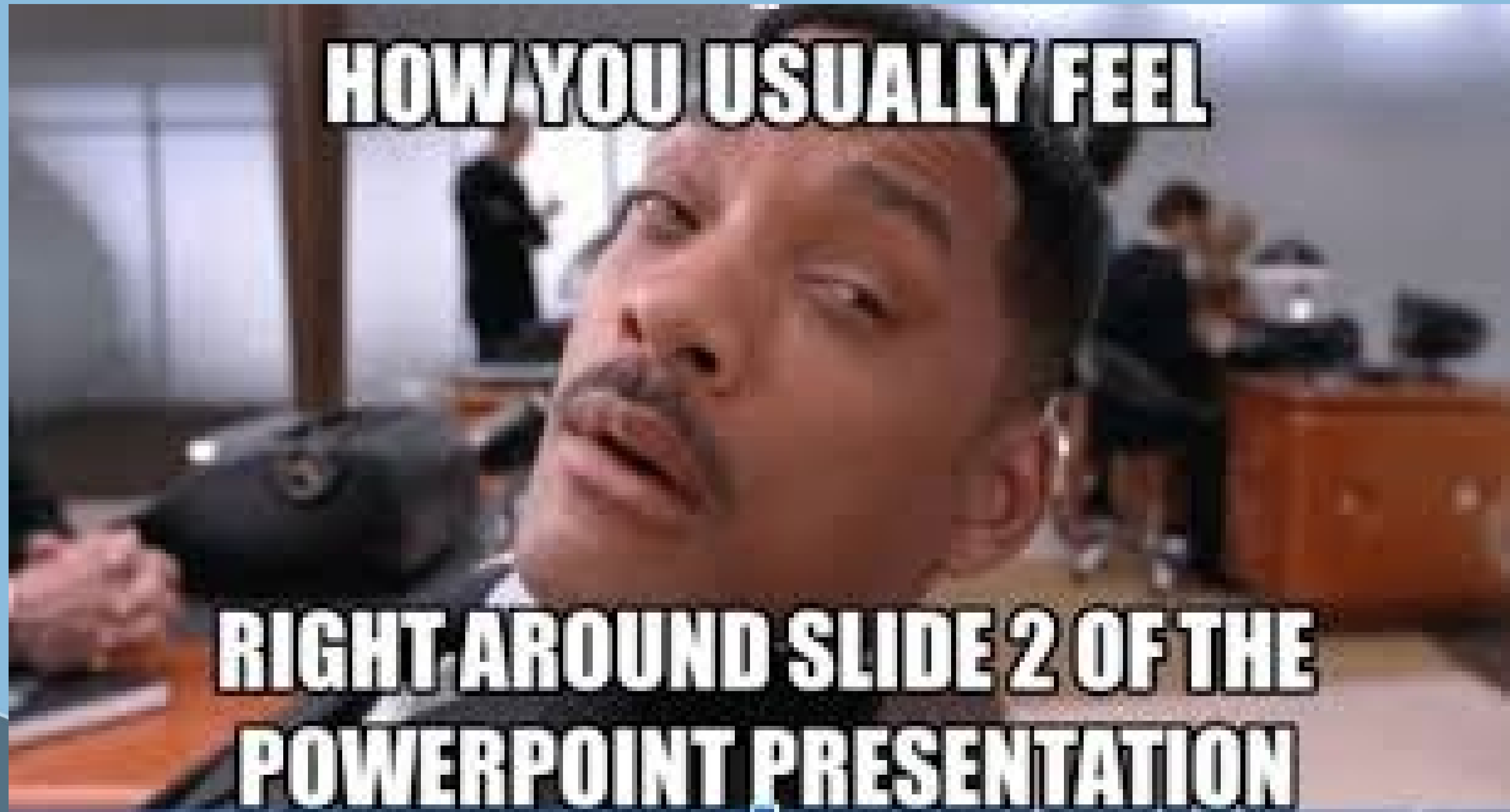
Working with USDA Foods... ENTITLEMENT IS A USDA GIFT CARD!



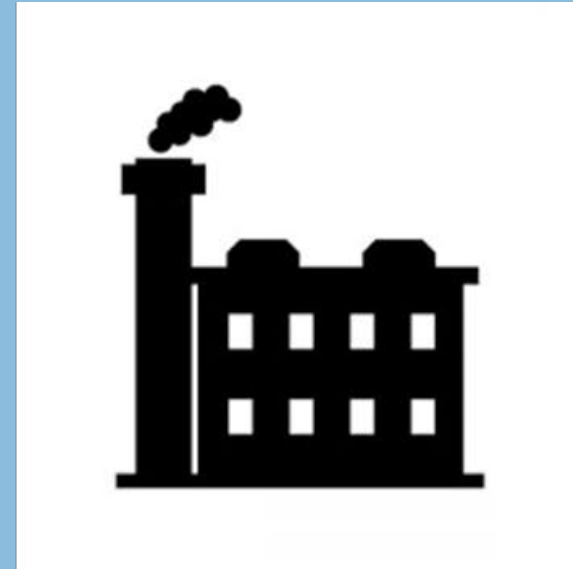
Direct Delivery

DoD Fresh

Diversions – Processing



Participant Inventory:



1

2

3

4

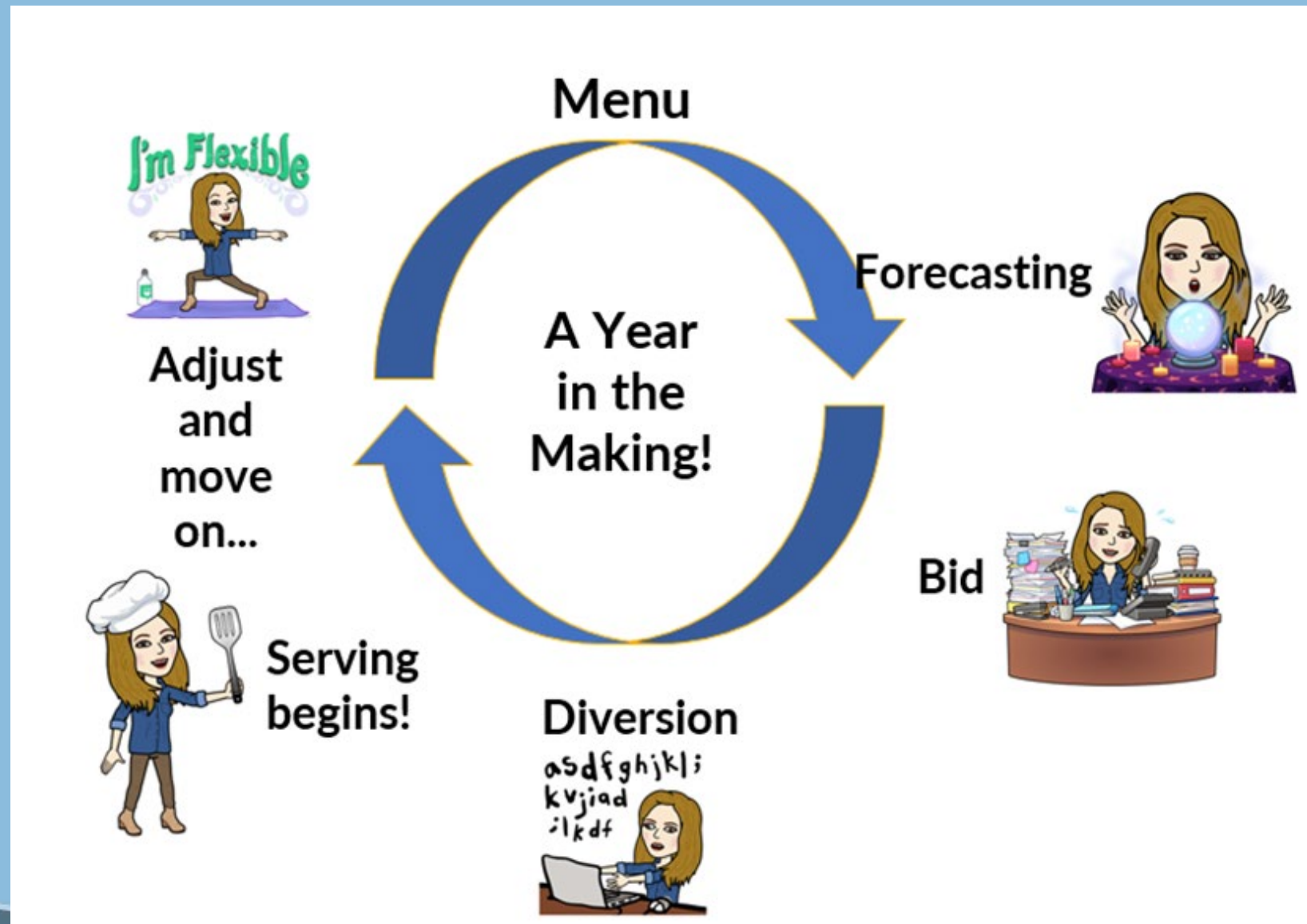
Parking Lot Questions 1

- **Agreements:**
 - **NPA / SPA**
 - **Distributor**
- **Bonds**
- **SEPDS / EPDS**
- **Ordering Schedule**
- **Value Pass Through Methods**
 - **Rebate**
 - **Net Off Invoice / CSNOI**
 - **Fee For Service**

Parking Lot Questions 2

- **Procurement**
- **Transfers**
 - **In State**
 - **State to State**
 - **Processor to Processor**
- **Inventory Management**
 - **Allocations**
 - **Diversions**
 - **Sweeps/State Accounts**
- **Roles & Responsibilities**

K12 Procurement Timeline



- **July:**
 - SNA's Annual National Conference (ANC)
 - Launch of new product lines by manufacturers
 - Processors load pounds for current school year
- **August – November:**
 - Commodity shows
 - Product cuttings
- **November – February:**
 - Menu development for next year
 - Commodity bids / RFP Issued
- **February – March:**
 - Diversion season
- **April – June:**
 - Fall menu finalization
 - Forecasting finalized and sent to distributor/manufacturer
 - Communication throughout the supply chain

USDA Foods Diversion Checklist



- **Year Round: Evaluate your menus. What are your participation numbers for each entrée? Identify entrée items that need to be replaced.**
- **July - November: Search for new products that will build your participation.**
- **September - November: Sample products with students and document their preferences.**
- **November - January: Issue USDA Foods RFP/ Bid and draft next school year's menus.**
- **January - February: Tabulate and award RFP/bids. Issue bid awards and finalize menus featuring USDA Foods.**
- **February - March: Calculate the USDA Foods pounds needed for your menus. It is very important that you always divert to your menu!!**

Calculating Allocations & Diversions

- Monitoring balances and usage
 - End-Product availability
 - USDA truckload cancellation (Pricing/Market Conditions)
- Diversions
- How to calculate?
- Frontloading
 - To frontload or not to frontload?
 - Processor takes the risk



Months on Hand

Why does it matter?

The USDA reserves the right to delay or cancel requested trucks or require the transfer of excess USDA Foods to another SDA if the SDA's, or RA's USDA Foods inventories are not at acceptable levels.

Applying 6-month Inventory Limit

- State & RA Inventories
 - To calculate an allowable 6-months inventory level
 - Average monthly usage (MPR - previous YTD usage)
 - Divide by 10 months
 - Multiply by 6
 - Example: $100,000\# \text{ annual usage} / 10 \text{ months} = 10,000\# \text{ per month}$
 - $10,000\# \text{ per month} \times 6 \text{ months} = 60,000\#$

Applying 6-month Inventory Limit cont'd

- **RA**
 - **Average monthly usage – most recent complete year**
 - **shipped distributor/shipped manufacturer**
 - **Divide by 10 months (length of most school years)**
 - **Multiply by 6**
 - **If your current balance is more, you have over 6 months on hand**

End of Year

- **Exceeds 6-month inventory limit**
 - **State – Can approve the processor to carry over excess inventory into the next school year (with plan of action)**
 - **FDP – Direct processor to transfer excess inventory to another state**
 - **Require processor to pay for inventory over allowable limit – only when the other two actions are not practical.**



SEPDS / EPDS

NPA Summary End Product Data Schedule													
Information Certified as Accurate by USDA			Revised 1/11/2023										
School Year	Processor Name	Product Status A=Approved N=New R=Revised X=Expired	End Product Code	End Product Description	Net Weight per Case (pound)	Servings per Case	Net Weight per Serving (Ounces)	WBSCM USDA Foods Material Code	WBSCM USDA Foods Material Description	USDA Foods Inventory Drawdown per Case	USDA Foods Value per Pound	USDA Foods Value per Case	USDA Approval Date
SY23	JTM Food Group	A	519	Cincy Style Chili	30.00	86.02	5.58	100154	BEEF COARSE GROUND FRZ CTN-60 LB	15.31	\$2.8369	\$43.43	11/1/2021
SY23	JTM Food Group	A	519	Cincy Style Chili	30.00	86.02	5.58	100155	BEEF FRESH BNLS BULK COMBO-20/2000 LB	15.31	\$3.0530	\$46.74	11/1/2021
SY23	JTM Food Group	R	545	Fully Cooked Reduced Fat Beef Sloppy Joe	30.00	132.23	3.63	100332	TOMATO PASTE FOR BULK PROCESSING	2.12	\$0.5921	\$1.26	11/1/2021
SY23	JTM Food Group	R	545	Fully Cooked Reduced Fat Beef Sloppy Joe	30.00	132.23	3.63	100154	BEEF COARSE GROUND FRZ CTN-60 LB	18.72	\$2.8369	\$53.11	11/1/2021

- Summary
- End
- Product
- Data
- Schedule

SEPDS – Columns of Note

- **Product Status**
- **End Product Code**
- **End Product Description**
- **WBSCM Material Code**
- **WBSCM Material Description**
- **Drawdown per Case**
- **USDA Foods Value per case**

SEPDS material code variations



- **100154 Beef vs. 100155 Beef**



- **Multiple Components per item**
 - **Tomato Paste, Flour, Cheese**
 - **Or**
 - **Two cheeses /two flours**
 - **Chicken – Dark & White Meat**





Value Pass Through Methods (VPT)



- **Three Primary Systems**
 - Fee For Service
 - Rebate
 - Net Off Invoice
- **Differences in VPT**
 - Where discount taken
 - Who is responsible for ensuring discount was taken
 - When the drawdown takes place

Rebate System

**Processor Sells to
Distributor at
Commercial Price**



**Recipient Agency
Applies for Rebate
with the Processor**



**Distributor Sells to
Recipient Agency at
Commercial Price**



Rebate Transactions

- **Pizza Cost:** **\$50.00**
- **Cheese Value:** **\$20.00**
- **Recipient Agency pays full commercial cost and requests the rebate.**
- **Processor validates that the transactions took place.**
- **Issues a check to the Recipient Agency.**
- **Lbs. are drawn down after the check is issued.**

Net Off Invoice

**Processor Sells to
Distributor at
Commercial Price**



**Distributor Sells to
Recipient Agency a
Discount Price**



**Distributor
Applies for Billback
with the Processor**



Net Off Invoice Transactions

- **Pizza Cost:** \$50.00
- **Cheese Value:** \$20.00
- **NOI price** \$30.00
- **Distributor uploads transactions to K12/PL.**
- **Lbs. are drawn down immediately.**
- **Recipient Agency pays discounted price if balances are sufficient.**
- **Recipient Agency receives the instant credit at invoicing.**
- **If not, full commercial price is paid.**
- **Distributor bills back commodity credits.**

Two Types of Net Off Invoice

- **Net Off Invoice**
 - **Substitutable material codes (Chicken, Cheese, Turkey, Fruit, etc.)**
 - **Sufficient Balance then Commodity Credit is given**
 - **Insufficient Balance, then Commercial Price is charged**
- **Closed SKU NOI**
 - **Non-substitutable material code (Beef/Pork)**
 - **Sufficient Balance then Commodity Credit is given**
 - **Insufficient Balance, the sale stops**

Fee For Service

Cheese Value: \$20.00
FFS Invoice Price: \$30.00

RA is invoiced for everything in the case except for the USDA Foods contain in the case.

Lbs. drawn down at time of invoice.



Processor Sells to Recipient Agency for everything except the value of the USDA Foods in the case.

Three Types of Fee for Service

- **Direct**
 - Processor ships to RA directly.
 - Invoices RA for everything EXCEPT the USDA Foods contained in the case.
 - Draws down pounds upon shipment/invoice to RA.
- **FFS Through a Distributor**
 - Processor ships to awarded Distributor
 - Two invoices to the RA
 - Processor invoices for everything in the case except the USDA Foods.
 - Distributor invoices for storage and delivery fees.
 - Drawdown occurs when Processor invoices RA and ships to Distributor.
- **Modified Fee for Service**
 - Distributor gives order to the Processor.
 - Processor invoices the Distributor for everything in the cases except for the USDA Foods contained in the cases.
 - Processor draws down pounds at the time of shipment.

Value Pass-Through Methods: a Summary

<u>Value Pass Through Method</u>	<u>Who is Invoicing the RA and at what price?</u>	<u>When is the value of the USDA Foods realized?</u>	<u>When are commodity lbs. drawn down?</u>	<u>Additional Notes:</u>
Rebate	Distributor invoices the RA. RA's invoice is for end items at Commercial price.	After proper paperwork is submitted by the RA or Distributor to the Processor and the rebate is given.	Processor draws down pounds after the rebate check is issued and sent to the RA.	RA or Distributor submits documentation to the Processor requesting reimbursement for the USDA Foods value of end items along with supporting documentation that cases have been received by RA.
Direct Discount	Processor invoices RA.	At time of shipment from Processor, invoice shows the discount for the value of the USDA Foods.	Processor will draw down pounds at time of shipment/invoice to the RA.	
Net Off Invoice (NOI)	Distributor invoices RA at the commercial price deducting the value of the USDA Foods. The discount is the pass-through value in that end item.	At time of shipment from the Distributor to the RA.	Distributor reports the transaction to the Processor and the Processor's tracking system draws down the pounds.	Distributor pays commercial price and passes on the discount for the value of the USDA Foods to the RA. The Distributor bills back the Processor for the value of the USDA Foods sold. In other words, Distributor charges commercial price and provides a discount to the RA. To capture those funds from the Processor, they submit billbacks for reimbursement.
Closed SKU NOI	Distributor invoices RA at a higher price deducting the value of the USDA Foods. The discount is the pass-through value in that end item.	At time of shipment from the Distributor to the RA.	Distributor reports the transaction to the Processor and the Processor's tracking system draws down the pounds.	Used for beef and pork end items. Similar process to NOI. Distributor must restrict the sale of end items to eligible RAs who have pounds in their banks.
Fee For Service - Direct	Processor invoices RA at the Fee for Service price.	At time of shipment/invoice from the Processor to the RA.	At time of invoicing, Processor will draw down pounds.	"Fee for Service" implies the only charge is for everything it takes to produce the end item EXCEPT for the USDA Foods contained in the case.
Fee for Service – Through a Distributor	Processor invoices RA at the Fee for Service price.	At time of invoicing to the RA.	At time of invoicing to the RA.	RA will receive two invoices: one from the Processor for the FFS price and one from the Distributor for storage/handling/delivery fees.
Fee for Service – Modified	Processor receives order from Distributor and invoices Distributor at the Fee for Service price.	Processor must draw down pounds at time of shipment to Distributor.	Processor must draw down pounds at time of shipment to Distributor.	Policy memo FD-40 (revised, July 16, 2021) reviews all Value Pass-Through methods.



RA Responsibilities

- Planning/Menuing
 - Cycle Menu
 - Order responsibly
 - Divert only amount needed to produce end products to be used in the same school year
 - Follow proper procurement procedures
- Inventory management – diverted pounds
 - Pounds not drawing down (K12 Foodservice, Processor Link)
 - Menu more often
 - Review product guide for additional products to draw down pounds
 - Par – 10% draw down per month on average

Direct Diversion Tracking Tools

K12 Foodservice.com and ProcessorLink.com offer Recipient Agencies an easy and effective way to manage their diverted USDA Foods to processors.

K12Foodservice.com



Processorlink.com



Processor Responsibilities

- **Monthly Performance Report/National Processing Report**
 - Months on hand
 - Does not consider front loaded pounds
- **Inventory Management**
 - Processor Link/K12 Foodservice
 - Transfers (intrastate and interstate)
 - Truck cancelations
- **Over limit approvals**
 - Plan to reduce levels (promos, improved operations, etc.)

State Distributing Agency Responsibilities

- State Participation Agreement (SPA)
 - Nationally Approved Processor (NPA)
 - Approved value pass through methods
 - Duration of agreement
- Order USDA Foods to send to processors
- Monitor processor inventory balances and RA usage
- Transfers (intrastate and interstate) and re-allocations
- Truck cancelations
- Communicate with RAs, processors, and USDA

FDP Responsibilities



- Manage USDA Foods Processing Program
- Monitoring Processor Inventories
 - Analyze Monthly Performance Reports (MPR)
 - State to State transfer approval
 - Truck cancelations/Shipping period changes
- Provide technical assistance to processors and SDAs on program operations
- Communicate regularly with processors and SDAs

Balance Transfers



- **Bonus or Entitlement?**
- **Internal State Transfer**
 - **SA determines process**
- **State to State Transfer**
 - **USDA must review and approve**
- **Processor to Processor**
 - **USDA must review and approve**

USDA Foods Transfer Request

USDA Foods Transfer Request

State-to-State Releasing State: IN Receiving State: OH Processor: National Food Group

Processor-to-Processor Physical Paper Authorization Number (State Use) : _____ State Signature: _____
 Releasing Processor: _____ Receiving Processor: _____
 Recipient Agency: _____ RA Number: _____ Contact Name: _____ RA Signature: _____

Sales Order Number	SO Item Number	Material Code	Material Description	Quantity (Cases/Lbs)	SDA (Sold-To Party BP)	Entitlement Adjustment	
						YES	NO
	5000808115-100	110149	Apples	2,500 lbs		X	
For Paper Transfers:	\$ value and check amount						

RELEASING STATE OR PROCESSOR

Releasing State Signature _____ Date ____/____/____ Phone: _____

E-Mail Address: _____

Processor Signature (if applicable) _____ Date ____/____/____ Phone: _____

E-Mail Address: _____

RECEIVING STATE OR PROCESSOR

Receiving State Signature _____ Date ____/____/____ Phone: _____

E-Mail Address: _____

Processor Signature (if different from above) _____ Date ____/____/____ Phone: _____

E-Mail Address: _____

FNS USE ONLY

USDA/FNS Specialist: _____ Date ____/____/____ Phone: _____

E-Mail Address: _____

**ANY
QUESTIONS?**



Order Timeline

When to expect your product

On the Menu



- **Cycle menu – Weekly**
 - **Forecast for entire year**
 - **Helps ensure inventory of raw materials**
- **National Holidays/Celebrations**
 - **National Cheese Day**
 - **National Pizza Day**
- **School Holidays**
 - **100th Day**
 - **National School Lunch/Breakfast week**

Place Order

- **Direct with manufacturer**
 - **Create purchase order**
 - **Meet order requirements (pallet minimums, order cutoff times, etc.)**
 - **Submit to manufacturer**
- **With Distributor**
 - **Create purchase order**
 - **Meet order requirements (minimums, order cutoff times, etc.)**
 - **Submit to distributor**

Order Processing

- Annual forecast/calculator
 - Raw material inventory/availability
 - Increased pepperoni usage – takes 8 weeks to make pepperoni
- Order received
 - Manufacturer – 2-week lead time
 - Distributor – 4-week lead time
 - 30-day stock level for regularly ordered product
 - 6-week lead time for special order
- Order Processed
 - Offsite inventory warehouse
 - K12 product
 - Retail product
 - 30-day stock level

Order Processing cont'd

- **Shipping**
 - Available trucks/trailers nationwide
 - Appointments/communication
- **Delivery**
 - On time arrival
 - From manufacturer – 2 weeks
 - From distributor – 4 weeks
- **Holidays/breaks**

Receipt of Product



- Proper temp on delivery truck
- PTV (pass through value) received on invoice
- Store in dry/fridge/freezer
 - FIFO
- Pound balance reduced
- Enjoy on upcoming service day!

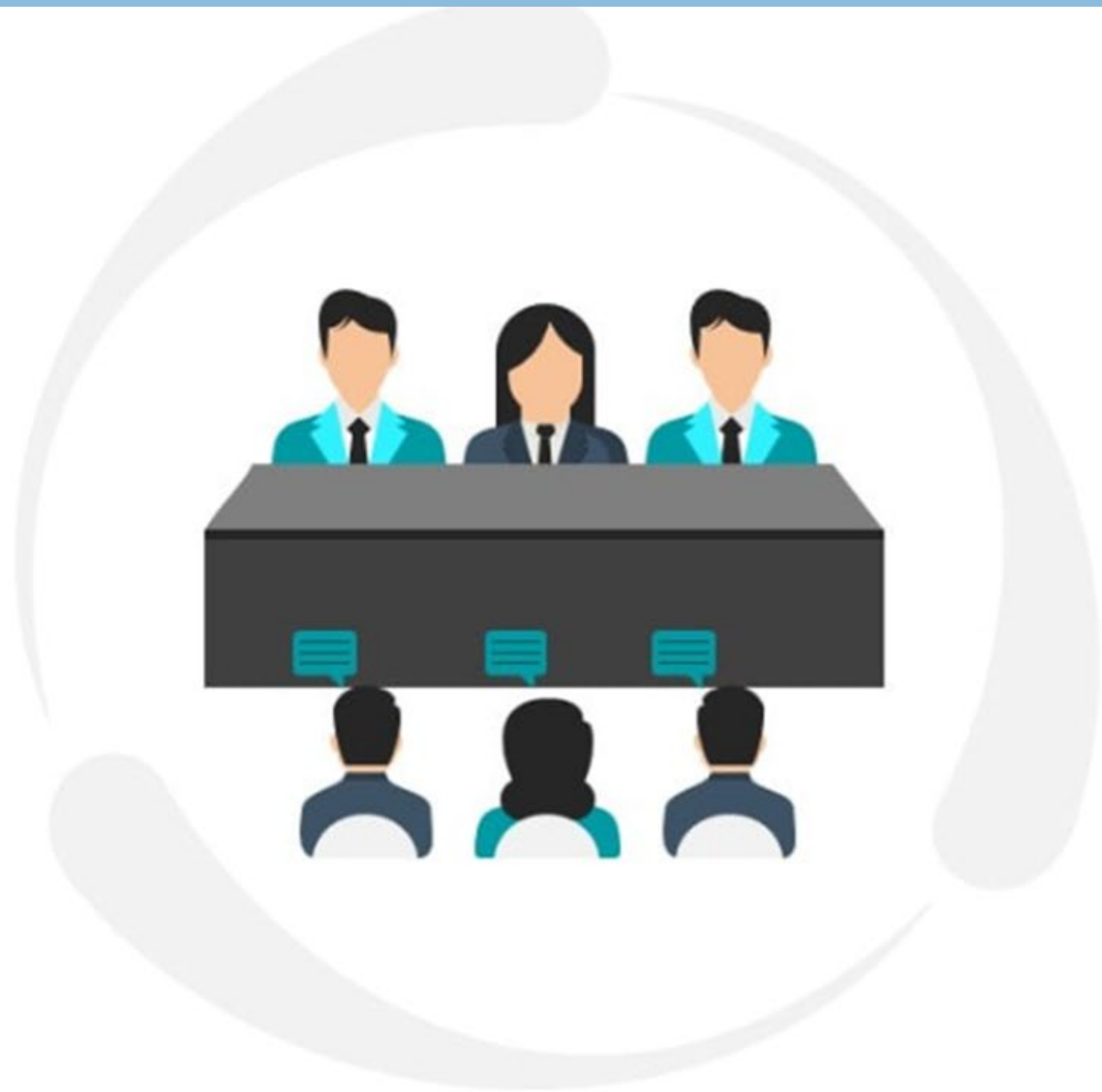
Questions

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Panel Discussion

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