



# Lunch Line

A Newsletter of the Food Distribution Program

Department of Administrative Services

November 2009

## November 30th Carryover Balances at the processors

USDA has asked the states to reinforce the regulation of excess inventory at the processors.

FDP will transfer all unused carryover balances to the State of Connecticut's account on, November 30, 2009. Inventory can be carried over to the next school year; however, carryover pounds must be drawn down before November 30, 2009.

Schools should reference USDA Policy Memo 40 [http://www.fns.usda.gov/fdd/PolicyMemo/pmfd040\\_SP-FurtherProcessorsInventory.pdf](http://www.fns.usda.gov/fdd/PolicyMemo/pmfd040_SP-FurtherProcessorsInventory.pdf) (FD-040, January 12, 2005: Commodity Inventory Reduction at Further Processors) for when inventory draw down occurs in relation to the different value pass through methods.

Since there may be a delay in inventory draw down at the processor end, please keep this in mind when reviewing inventory balances.

## Department of Defense Program:

On November 30th, FDP will assess the entitlement expenditures for all participating districts. For districts with little or no entitlement dollar expenditure, FDP will re-allocate available entitlement dollars to other participating school districts.

## What is WBSCM?

WBSCM is the new Web-Based Supply-Chain Management system. It will replace the Electronic Commodity Ordering System (ECOS). Still in the design phase, the new paperless system is bound to be a dramatic change.

What does this mean for us here in Connecticut? Well, it means that our office and the schools will be learning the new system together.

USDA recently announced the delay in the go-live date of WBSCM in July 2010. We will keep you posted on the progress of this project.

If you are interested in learning more about the new WBSCM application, here's a link to the USDA website: <http://www.fns.usda.gov/fdd/WBSCM/default.htm>

## SY 2010/11 Commodity Requests

The surveys for all commodities for SY 10/11 are now open in the Electronic Commodity Online Ordering System (ECOS). Commodity requests must be entered into ECOS by Friday, December 18, 2009. We have created two spread sheets to use as a guide: [http://www.das.state.ct.us/FedFood/Proc\\_Spread.asp](http://www.das.state.ct.us/FedFood/Proc_Spread.asp)

Only select the dates highlighted in "blue." Your Planned Assistance Level (PAL) for SY 10/11 can be found in ECOS by clicking on "Administration", click on "View Agency Profile", scroll down to "Entitlement Information" and click on "2011."

We understand your bid awards for SY 10/11 haven't been completed yet and processors haven't provided you with product information for SY 10/11. Just assign the same number of commodity pounds to the same processors that you did this SY. Transfers can be requested up to 60 days prior to delivery by sending an email to [food.communication@ct.gov](mailto:food.communication@ct.gov).

If you are participating in the Department of Defense (DOD) Fresh Fruit and Vegetable Program, make sure to save PAL dollars for the program. An email will be sent to all school districts about the program in January.

## Consult Your Manual

The UPDATED Food Distribution Program (FDP) manual is online. Along with our Business Rules, the manual covers: Eligibility, Allocation and Ordering, Labeling, Accountability and Delivery, Transfer of Commodities, and Food Processing. To access the manual go to <http://www.das.state.ct.us/FedFood/Databases/FDPManual.pdf>

## Food Communications Emails

Please read Food Communication emails for any changes or additional survey and commodity offerings throughout the school year.

***Look for more information on page 2 and 3***

# Recipient Agency Procurement Considerations

In Connecticut, FDP allows all the value pass through systems, i.e. Net Off Invoice, Fee For Service, and Direct Discount. RA's should know which value pass through system is approved by going to the Marketplace and clicking the "Approved Processors" link or by clicking [http://www.das.state.ct.us/FedFood/ProcessedFoods/ECAFS\\_Processors.asp](http://www.das.state.ct.us/FedFood/ProcessedFoods/ECAFS_Processors.asp) before issuing any request for proposal or sealed bid or ordering any raw materials for direct diversion to a Processor.

Bidding for both commercial and commodity processed items is required under Federal Regulation 7CFR3016. This guidance does not seek or intend to create a procurement system. This guidance is intended to provide information for consideration when bidding.

Each district's needs and bidding requirements may be and often are specific to that district. Local regulations may be more stringent than the State and Federal Regulations and these must be incorporated into the procurement plan.

The following topics are recommended to be addressed in the bidding document:

**Scope and Intent of Bid:** A brief explanation of what the goal of the bid is. This message gives the prospective respondent the first impression of the business and what the needs might be.

**Bid Covenants:** State the minimum requirements/conditions to do business with a recipient agency or coop. Work with recipient agency purchasing personnel/department to insure minimum covenants are covered.

**Bid Period:** Indicates the time frame for which the bid is intended.

**Renewal Clause:** Indicates the time frame for which the bid may be mutually renewed.

**Quantity Desired:** The realistic quantity the supplier can count on the district purchasing. The more accurate the figures, the more aggressive it will allow both manufacturer and distributor to be on cost. The may be expressed in raw poundage expected to process, servings per item, or finished cases needed.

**Record Keeping:** Some processors offer Internet based systems designed at maintaining customer's accounts. RA should ask the Processor if they offer some type of on-line system to help manage the account. Some more advanced sites offer a commodity "calculator." This feature allows the RA to enter a total amount of finished product needed by manufacturer product number to meet menu needs and the system will calculate how many pounds of USDA commodity are needed to produce the finished cases needed.

**Cash Flow:** In some cases, processors are limited in the number of deliveries that they can make throughout the school year. The timing of these deliveries has many factors but the net result is that once delivered to the distributing agent, the invoice is payable to the processor. If the RA is unable to accept some or the entire product from the distributor for whatever reason, the RA ends up paying for product that they cannot access for some time. This may or may not fit into the cash management goals of the district.

**Analysis of Costs:** RA needs to fully understand what the service and distribution fee will be for the product chosen. When bidding specifying preference for NOI, RA's should request the gross case bid price, the commodity value per case, and the net price to be identified separately in the bid response. If RA receives only the net case price, an RA cannot be certain that it is receiving the correct/full value of the donated food per case.

Any non-profit discount, volume discount should be reflected separate from the commodity discount or reflected in the gross price listed.

The use of NOI may eliminate the need for storage costs. The RA will however need to assess any increase in service and delivery fee a Distributor may require for this type of transaction to cover possible associated administrative costs. A detailed understanding and analysis must be completed when assessing the benefits of both FFS and NOI.

This type of analysis of costs will allow the district to determine the cost competitiveness of the delivery and service fee as compared to all other delivery and service fees for commercial products.

**Storage Fees:** Most all third party warehouse and distribution arrangements include some period where storage is included in the delivery fee. Once that period has passed, typically the warehouse or distributor charges a monthly storage fee based on a case rate. These fees may or may not include summer months and are usually charged on a calendar month.

The RA must also know the warehouse or Distributor delivery frequency and storage charges before making any diversion decisions. Storage costs can be significant if not managed and they can greatly decrease the advantage of further processing, over purchasing commercial product.

In Connecticut, the warehousing contract states the Contractor may assess a charge, per unit, per month, for each unit of food remaining in storage starting on the 61st day. The 61st day is the date of receipt into the warehouse. The invoice must include the date the commodity was received and the date the commodity was shipped, and unit storage price per case. Such charges may be assessed for a full month on the 61st day of storage and for each succeeding month's storage period. The storage charges for USDA commodities for the life of the USDA contract, including the potential two (2), one-year extensions, are as follows:

Frozen: \$0.95 per case  
Refrigerated \$0.85 per case  
Dry \$0.75 per case

**Availability:** Many factors affect when a processor will be able to make deliveries of product.

These include but are not limited to timing of raw material purchases by USDA; market conditions that might prevent raw material purchases; lack of volume to gain delivery efficiency back to the designated warehouse or distributor whether or not a processor is vertically integrated or is awaiting a USDA award for raw material from another supplier; etc.

These factors contribute to a variable delivery system, which may affect delivery of both Fee for Service and NOI products.

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**Insurance:** If a third party distribution agent other than that offered through contract to the State is chosen by the RA, it is strongly recommended that the RA request that the distributor extend proper insurance over the recipient's product to protect against loss or damage.

**Delivery Requirements:** Describes when, where, frequency, how many locations, when deliveries will and will not be accepted and whom to call to schedule delivery. If the RA has chosen to secure their own distribution channel, the RA needs to make delivery expectations very clear.

It is recommended that the RA require a demonstration of ability to provide product for predictable deliveries throughout school year.

**Evaluative Criteria:** Describes the determining factor(s) in awarding the bid. Indicate if other factors such as taste, quality, delivery flexibility, product yield or other criteria will be considered in the decision. It is recommended that a bid award matrix be outlined, which identifies criteria for bid award and respective weights to each criterion. Setting clear expectations and communicating them effectively will lead to awards that are more successful.

**Product Specifications:** Describe specifically what product is requested for purchase. Include in the description desired portion size or range in size, breading content, ability to bake and or fry the product, fully cooked or raw, bulk packed or individually wrapped, etc.

**Nutritional Information:** State whether the product needs to have CN labeling. State whether a nutritional analysis is required for each product offered. Clearly, identify any additional nutritional requirements such as maximum grams of fat, sodium levels etc.

**Commodity Ingredients:** Indicate USDA donated ingredient(s) that will be processed. Indicate direct diversion or a back haul arrangement.

**Yield:** Request product yield information and indicate how/if yield will be used to evaluate the bid. Yield information helps estimate projected costs and to determine your total needs for a year. RA's should request the SEPDS to determine product yield

**Standard Yield or Guaranteed Return:** If these are not required, how are shortages and overages to be handled by the processor? (This pertains to Minimum Guaranteed Return items)

**Value Pass through Method:** What is permissible in the State? What method is best for the district? Does the supplier work in more than one method? Is the supplier approved for more than one method? In Connecticut, the Marketplace website has a list of approved processors and the value pass through method(s) the process is approved for in our state.

**Inventory Reconciliation:** It is recommended that the Distributor's ability to provide a system to reconcile inventory at predetermined intervals be included in the bid document It is important that it is clarified if you are requesting that a physical or book inventory is required.

**Brands:** Product testing is an effective way to determine customer preferences. What brands and quality levels has the district used or tested and found to be acceptable? Communicate expectations clearly that the goal is to obtain a product equal or greater in quality and value. Does the district require commodity/commercial matched products in terms of fat, nutritional, portion size, pack, case weight to insure smooth transition when donated food is not available to meet menu obligations?

**Penalties:** Consider stating penalties for missing delivery appointments, failure to submit needed information to appropriate parties, etc. This can be monetary or removal from bid, but should only be used for major infractions. These may include but are not limited to failure to deliver the products in a timely manner, or delivering products that are different from the sample product approved, or events that affect the RA level of service to student customers. Insure that the district interests are covered.

**Regulatory:** Include Certificates of Debarment; Certification on Lobbying; Certification of adherence to Clean Water/Clean Air Act; Any other state or local required certifications or licenses. The Food Distribution Program can assist with these requirements.

**Risk and Safety:** Are any Indemnification Agreements required? Are any third party sanitation inspections required? Insurance Certificates? Do they list the school district as an additional insured? What level of coverage does the school district require? Are copies of the suppliers recall program required? HACCP program? PCCP? Guaranteed Return (GR) program?

**Payment Terms:** What is the school district's payment policy? Does the district pay from delivery tickets, bills of lading or is a formal invoice required? Are monthly statements required? Can the school district offer the supplier electronic payment? Does the district take advantage of early payment discounts if available? Does the supplier offer a drop size incentive?

**Miscellaneous:** Does the district require copies of a Processor's SEP-DS? Is there an option on the bid to exercise an option to continue the bid for an additional year at the districts discretion? If so, how is that done? Does that include provisions for price re-determination? What is the cancellation policy for both parties?

Will samples be provided upon request? It is imperative when requesting samples for testing that the samples be required to be equivalent to the commodity product.

Are references available for both current and recently lost customers?

If you have any questions regarding this guidance material, please contact the Food Distribution Program at 860-256-2910, or toll free 866-551-1895.